

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

 \square ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES **EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES **EXCHANGE ACT OF 1934**

For the transition period from_

Commission File Number 000-50808

WCA Waste Corporation (Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

One Riverway, Suite 1400 Houston, Texas

(Address of principal executive offices)

20-0829917

(I.R.S. Employer Identification Number)

(Zip Code)

Registrant's telephone number, including area code: (713) 292-2400 Securities registered pursuant to Section 12(b) of the Act: None Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value \$0.01 per share

Indicate by check mark whether the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes £ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☑ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer £

Non-accelerated filer £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes £ No The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2005 based on the closing sales price as reported on the Nasdaq National Market on such date was approximately \$85.8 million.

Number of shares of common stock outstanding as of March 1, 2006: 16,805,136.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders are incorporated by reference into Part III of this annual report on Form 10-K. Except with respect to the information specifically incorporated by reference in this Form 10-K, the Proxy Statement for the Annual Meeting of Stockholders is not deemed to be filed as part hereof.

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List of Subsidiaries		14.1					
C. CHDICLID		*, -;					
Consent of KPMG LLP							
Rule 13a-14a/15d-14a Certification of CEO	*.				• •		•
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Section 1350 Certification of CEO							
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PART I

Item 1. Business. Introduction

We are a vertically integrated, non-hazardous solid waste management company providing non-hazardous construction/demolition, industrial and municipal solid waste collection, transfer, processing, and disposal services in the south and central regions of the United States. As of December 31, 2005, we served approximately 187,000 commercial, industrial and residential customers in Alabama, Arkansas, Florida, Kansas, Missouri, North Carolina, South Carolina, Tennessee and Texas. As of December 31, 2005, we owned and/or operated 23 collection operations, 21 transfer stations/materials recovery facilities (MRFs), 7 municipal solid waste (MSW) landfills and 12 construction and demolition debris (C&D) landfills. Of these facilities, two transfer stations, one MSW landfill and one C&D landfill are fully permitted but not yet opened, and two transfer stations are idle. Additionally, we currently operate but do not own two of the transfer stations, and we hold certain prepaid disposal rights at landfills in Texas, Oklahoma and Arkansas owned and operated by other parties.

WCA Waste was incorporated as a Delaware corporation in February 2004, and our principal operating subsidiary, WCA Waste Systems, Inc., was incorporated in Delaware in September 2000, which then acquired 32 separate solid waste management operations from Waste Management, Inc. From our formation through December 31, 2005, we have successfully integrated over 70 separate operating locations acquired in a total of 25 transactions (including the transaction with Waste Management, Inc.). For information regarding acquisitions made in 2004 and 2005, please read "—Acquisition History After Our Initial Public Offering" below. Unless the context requires otherwise, references in this Annual Report on Form 10-K to "WCA Waste," "we," "us," or "our" refer to WCA Waste Corporation and its direct and indirect subsidiaries on a consolidated basis.

Industry Overview

Based on industry sources, we believe the non-hazardous solid waste industry in the United States generates approximately \$46.5 billion in annual revenue. Approximately \$26.5 billion, or approximately 57%, of the estimated annual industry revenue is generated by the three largest public companies in the industry. Based on industry sources, we believe other public and privately-held companies represent 25% with municipalities representing approximately 18% of the estimated annual industry revenue.

The solid waste industry can be divided among collection, transfer and disposal services. The collection and transfer operations of solid waste companies typically have lower margins than disposal service operations. By vertically integrating collection, transfer and disposal operations, operators seek to capture significant waste volumes and improve operating margins.

During the past three decades, our industry has experienced periods of substantial consolidation activity, though we believe it remains extremely fragmented. We believe that there are two factors that have had a substantial impact on the trend toward consolidation:

- Stringent industry regulations have caused operating and capital costs to rise. Many local industry participants have found these costs difficult to bear and have decided to either close their operations or sell them to larger operators.
- Larger operators are increasingly pursuing economies of scale by vertically integrating their operations or by utilizing their facility, asset and management infrastructure over larger volumes. Larger solid waste collection and disposal companies have become more cost-effective and competitive by controlling a larger waste stream and by gaining access to significant financial resources to make acquisitions. However, acquisitions by larger companies generally have less of an impact on their growth rates and revenues because acquisitions are small relative to the size of such companies.

Despite the ongoing consolidation, the solid waste services industry remains fragmented and regional in nature. We believe that there are considerable opportunities in the industry for additional consolidation, especially of operations that do not fit the acquisition criteria of the other waste companies. Based on industry sources, we believe private companies and public companies, other than the three largest public waste companies, represent approximately 25% of the estimated \$46.5 billion in annual revenue generated by the solid waste industry. This condition contributes to the fragmented nature of the industry, with many small operations co-existing with a relatively small number of large organizations. Accordingly, we believe that there are significant opportunities for growth through additional acquisitions of assets and operations.

Our Acquisition Growth Strategy

Vertical Integration And Internalization

Vertical integration is a core element of our operating strategy because it allows us to manage the waste stream from the point of collection through disposal, thereby maximizing the rate of waste internalization, increasing our operating margins and improving our operating cash flows. All collected waste must ultimately be processed or disposed of, with landfills being the main depository for such waste. Generally, to be most efficient, collection services should occur within a 35-mile operating radius from the disposal site (up to 100 miles if a transfer station is used). Collection companies that do not own a landfill within such range from their collection routes will usually have to dispose of the waste they collect in landfills owned by third parties. Thus, owning a landfill in a market area provides substantial leverage in the waste management business.

As of December 31, 2005, we owned 19 landfills throughout the regions we serve, two of which, though fully permitted, have not yet commenced operations. We believe that our relatively high number of landfills coupled with the geographic locations of those landfills in the regions we serve positions us to maintain relatively high levels of internalization within our existing markets. For each of the years ended December 31, 2005 and 2004, approximately 78% of the total volume of waste we collected was disposed of at our landfills.

Acquisition Strategy

Our acquisition strategy targets operations that we believe will benefit from our core operating strategy of maximizing the internalization of waste. We intend to make acquisitions for two primary purposes: (i) to expand our operations in market areas we already service ("tuck-in" acquisitions); and (ii) to gain entry into new markets ("strategic" acquisitions). Please read "—Acquisition History After Our Initial Public Offering" below for more information. We intend to focus our strategic acquisitions in markets that are generally characterized by one or more of the following characteristics: (i) the availability of adequate disposal capacity, either through acquisitions or through agreements with third parties; (ii) the opportunity for us to acquire a significant market share; and (iii) steady projected economic or population growth rates.

Since ownership of landfills is essential for internalization of waste, we look for opportunities to enter a new market by acquiring or managing a permitted landfill operation in that market. However, while we generally prefer to use a landfill acquisition as our entry into a new market, we, nevertheless, may acquire a collection operation in a new market first if we believe we will be able to acquire a permitted landfill operation in that market within a relatively short time after acquiring the collection operation.

Once we establish a presence in a new market, we intend to expand our presence by tuck-in acquisitions; that is, by acquiring companies that also operate in that market or in adjacent markets, especially collection companies and transfer stations that allow us to increase internalization of waste into landfills that we own or operate. Effective tuck-in acquisitions allow growth in revenue and an increase in market share and enable integration and consolidation of duplicative facilities and functions to maximize cost efficiencies and economies of scale.

We have generally targeted markets in the south and central regions of the United States because we believe that they: (i) are served by a large number of independent non-hazardous solid waste operations, many of which we believe may be suitable for acquisition by us; (ii) generally experience less seasonal fluctuation in the demand for

solid waste services than other regions; and (iii) are projected to have steady economic and population growth rates.

In executing our acquisition strategy, we believe that the following characteristics make us an attractive partner to independent solid waste companies in our target area and enable us to continue our acquisition-based growth strategy:

- Our management is extremely experienced in the waste industry and in making waste company acquisitions. Our co-founder and chairman of the board and chief executive officer, Tom J. Fatjo, Jr., has over 35 years of experience in the solid waste industry, beginning with Browning-Ferris Industries, Inc., or BFI, which he founded in 1966. Our other co-founder, president and chief operating officer, Jerome M. Kruszka, has over 30 years of experience in the solid waste management industry, beginning with Waste Management, Inc. and its affiliates, where he held a number of managerial positions during his tenure there. Both Mr. Fatjo, Jr. and Mr. Kruszka have overseen the acquisition and integration of several hundred solid waste operations during their careers in the industry. Additionally, our other senior executive officers, Charles A. Casalinova and Tom J. Fatjo, III, and our four regional managers have an average of approximately 20 years of experience in the industry, in each case involving substantial experience acquiring and integrating waste management assets and operations.
- Based on industry sources, we believe approximately 25% of the estimated \$46.5 billion in annual revenue for the solid waste industry is generated by privately-owned companies and public companies other than the three largest public waste companies. While many of these operations may represent attractive acquisition candidates to a company of our size, many are too small to make any material impact on the revenues of the large companies in our industry and are thus less attractive to these companies. Accordingly, we believe that we have more opportunity for growth, when calculated as a percentage of revenue, through acquisitions than companies larger than us.

Acquisition History After Our Initial Public Offering

In June 2004, we completed an initial public offering of our common stock. We also maintain a credit facility which includes both term loans and revolving credit with a banking group. These financing activities enabled us to acquire the following operations from June 2004 through March 1, 2006:

- In July 2004, we purchased Texas Environmental Waste, a residential and roll-off collection company in Houston, Texas.
- In August 2004, we purchased Ashley Trash Service, a residential collection operation in Seymour, Missouri, and Power Waste, a roll-off collection operation in Birmingham, Alabama.
- In September 2004, we acquired Blount Recycling and other related companies, which included a C&D landfill and roll-off collection operation in Trafford, Alabama, a transfer station and roll-off collection operation in Huntsville, Alabama, a transfer station in Midfield, Alabama, and a hauling operation in Tuscaloosa, Alabama.
- In September 2004, we acquired Translift, Inc., a commercial and roll-off collection company in Little Rock, Arkansas.
- In November 2004, we acquired Rural Disposal, Inc., a residential, commercial and roll-off collection company in Willow Springs, Missouri.
- In November 2004, we purchased Trash Away, Inc., which consisted of a transfer station and MRF, commercial, residential and roll-off collection company, and a portable toilet operation in Piedmont, South Carolina.

- In January 2005, we acquired Eagle Ridge MSW landfill located approximately 45 miles northwest of St. Louis near Bowling Green, Missouri.
- In April 2005, we acquired certain assets from MRR Southern consisting of two C&D landfills, two transfer stations and two MRFs in High Point and Raleigh, North Carolina.
- In May 2005, we completed two tuck-in acquisitions by acquiring Triad Waste and Triangle Environmental, roll-off collection companies in High Point and Raleigh, North Carolina. We also purchased Foster Ferguson, a residential and commercial collection operation in El Dorado Springs, Missouri, and Proper Disposal, a commercial and roll-off collection operation in Chanute, Kansas.
- In October 2005, we acquired Ft. Meade landfill, a C&D landfill in Ft. Meade, Florida, from Waste Corporation of Central Florida, Inc, a subsidiary of Waste Corporation of America LLC.
- In October 2005, we acquired certain assets from Meyer & Gabbert, which consisted of one C&D landfill, three transfer stations and a roll-off collection operation in the Sarasota/Arcadia, Florida market area.
- In October 2005, we purchased Andy's Hauling, a roll-off collection operation in Sarasota, Florida, and Pendergrass, a commercial and residential collection operation in Springfield, Missouri.
- In February 2006, we acquired Transit Waste LLC consisting of one MSW landfill located near Durango, Colorado and a commercial, residential and roll-off collection operation in Bloomfield, New Mexico area from Waste Corporation of America LLC.

Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Overview—
Acquisition Strategy Overview" for more information regarding each of the completed acquisitions.

We have integrated all of our completed acquisitions to date into our existing operations. However, it may take up to a year to fully realize operating synergies.

Our Operations

Our operations consist of the collection, transfer, processing and disposal of construction and demolition debris and industrial and municipal solid waste. Our revenue mix for the years ended December 31, 2005 and 2004 is shown in the table below (dollars in thousands):

4	the second second		· • • · · · · <u> · · · · · · · · · · · · </u>		2005	·.	5. ·	2004	
				\$		%.	\$	+	%
Collection	and the second s		. \$	69,786		61.1%	\$ 48,081		65.5%
Disposal				30,602		26.8%	20,747		28.2%
Transfer and other, net				13,755		12.1%	4,633		6.3%
Total revenue		e*	\$1	14,143		100.0%	\$ 73,461		100.0%

We have a broad and diverse customer base; no single customer accounted for more than 2% of our revenues for the years ended December 31, 2005 or 2004. Please read note 12 to our consolidated financial statements for certain geographic information relating to our operations.

Collection Services

As of December 31, 2005, we provided construction and demolition debris and industrial and municipal solid waste collection services to approximately 187,000 industrial, commercial and residential customers in nine states through 23 collection operations. In 2005, our collection revenue consisted of approximately 53% from services

provided to industrial customers, 20% from services provided to commercial customers and 27% from services provided to residential customers.

In our commercial collection operations, we supply our customers with waste containers of various types and sizes. These containers are designed so that they can be lifted mechanically and emptied into a collection truck to be transported to a disposal facility. By using these containers, we can service most of our commercial customers with trucks operated by a single employee. Commercial collection services are generally performed under service agreements with a duration of one to five years with possible renewal options. Fees are generally determined by such considerations as individual market factors, collection frequency, the type of equipment we furnish, the type and volume or weight of the waste to be collected, the distance to the disposal facility and the cost of disposal.

Residential solid waste collection services often are performed under contracts with municipalities, which we generally secure by competitive bid and which give us exclusive rights to service all or a portion of the homes in these municipalities. These contracts usually range in duration from one to five years with possible renewal options. Residential solid waste collection services may also be performed on a subscription basis, in which individual households or homeowners' or similar associations contract directly with us. The fees received for subscription residential collection are based primarily on market factors, frequency and type of service, the distance to the disposal facility and the cost of disposal.

Additionally, we rent waste containers and provide collection services to construction, demolition and industrial sites on a contractual basis. We load the containers onto our vehicles and transport them with the waste to either a landfill or a transfer station for disposal. We refer to this as "roll-off" collection.

Transfer and Disposal Services

Landfills are the main depository for solid waste in the United States. Solid waste landfills are built and operated under stringent regulations. Currently, solid waste landfills in the United States must be designed, permitted, operated, closed and maintained after closure in compliance with federal, state and local regulations pursuant to Subtitle D of the Resource Conservation and Recovery Act of 1976, as amended. Operating a solid waste landfill includes excavating, constructing liners, continually spreading and compacting waste and covering waste with earth or other inert material as required, final capping, closure and post-closure. The objectives of these operations are to maintain sanitary conditions, to ensure the best possible use of the airspace and to prepare the site so that it can ultimately be used for other purposes.

Access to a disposal facility is a necessity for all solid waste management companies. While access to disposal facilities owned or operated by third parties can be obtained, we believe it is preferable to internalize the waste streams. When we internalize waste we collect, we pay ourselves instead of a third party landfill operator and generally are able to realize higher operating margins and stronger operating cash flows.

In markets where we have collection operations that may be too far from our nearest landfill to economically haul the waste we collect directly to our nearest landfill, we pursue the use of transfer stations to effectively extend the distance from our own landfills that such collection operations can economically operate without having to utilize the disposal facilities of a third party. A transfer station is a facility located near residential and commercial collection routes where collection trucks take the solid waste that has been collected. The waste is unloaded from the collection trucks and reloaded onto larger transfer trucks for transportation to a landfill for final disposal. In addition to increasing our ability to internalize the waste our collection operations collect, using transfer stations reduces the costs associated with transporting waste to final disposal sites because the trucks we use for transfer have a larger capacity than collection trucks, thus allowing more waste to be transported to the disposal facility in each trip. It also increases the efficiency of our collection personnel and equipment because it allows them to focus more on collection. The following table reflects the number of transfer stations/MRFs we owned and operated by state as of December 31, 2005 and 2004. Additionally, as of December 31, 2005 and 2004, we operated but did not own two other transfer stations, one in Arkansas and one in Missouri.

	2005	2004
Alahama	2	2
Arkansas	1	1
Florida	3	
Missouri	1 70 -	7
North Carolina	3	
South Carolina	1	. 1
Texas	2	
Total	<u>19</u>	11

The fees charged at disposal facilities are based on market factors, as well as the type and weight or volume of solid waste deposited and the type and size of the vehicles used in the transportation of the waste. The fees charged to third parties who deposit waste at our transfer stations are generally based on the type and volume or weight of the waste transferred and the distance to the disposal site.

Landfills ,

As of December 31, 2005, we owned 19 non-hazardous solid waste landfills in nine states, two of which, though fully permitted, have not yet commenced operations. Additionally, we hold certain prepaid disposal rights at landfills in Texas, Oklahoma and Arkansas owned and operated by other parties. The following table sets forth certain information as of December 31, 2005 for each of our landfills. The table does not include information for the landfill acquired after December 31, 2005 as discussed in "—Acquisition History After Our Initial Public Offering" above.

			Permitted	Probable Expansion	Total	Remaining Permitted	Total Remaining
			Capacity	Capacity (1)	Capacity (2)	Life (3)	Life (2)(3)
Landfill	Location	Permitted Waste	(Cu. Yds)	(Cu. Yds)	(Cu. Yds)	(Years)	(Years)
Oak Grove	Arcadia, KS	MSW	7,023,000	24,524,000	31,547,000	34.8	156.4
Black Oak	Hartville, MO	MSW	7,815,092	0	7,815,092	16.8	16.8
	Sedalia, MO	MSW	6,412,398	1,500,000	7,912,398	38.7	47.8
Central Missouri							
	Bowling	MSW	3,567,602	16,335,000	19,902,602	18.5	103.1
Eagle Ridge	Green, MO		1. 1. 1. 1. 1.	September 1	± 1.1. 19 1.4.	• .	
Rolling	Hazen, AR	MSW	4,909,138	9,800,000	14,709,138	37.3	111.9
Meadows							
	El Dorado, AR	MSW	4,221,353	496,100	4,717,453	24.6	27.5
Union County	6.12	·				4	
	Houston, TX	MSW	5,239,003	0	5,239,003	N/A(4)	N/A(4)
Darrel Dickey(4)							
Hardy Road	Houston, TX	C&D	7,473,461	0	7,473,461	14.6	14.6
Greenbelt	Houston, TX	C&D	6,538,887	1,400,000	7,938,887	16.3	19.7
Ralston Road	Houston, TX	C&D	1,363,421	1,325,087	2,688,508	4.4	8.7
Applerock(4)	Houston, TX	C&D	8,750,000	. 0	8,750,000	N/A(4)	N/A(4)
•	Travelers Rest,	C&D	2,004,145	0	2,004,145	13.0	13.0
Shiloh	SC			Section 1			•
Yarnell	Knoxville, TN	C&D	939,399	469,729	1,409,128	9.4	14.1
Blount	Trafford, AL	C&D	5,211,023	0	5,211,023	26.5	26.5
Fines	Alpine, AL	C&D/Industrial	1,228,874	613,067	1,841,941	9.2	13.8
	High Point, NC	C&D	4,495,093	. 0	4,495,093	27.3	.27.3
High Point							4
Raleigh	Raleigh, NC	C&D	7,894,572	6,612,722	14,507,294	32.4	59.5
DeSoto	Arcadia, FL	C&D	7,323,910	14,904,750	22,228,660	11.8	35.8
Fort Meade	Ft Meade, FL	C&D	172,205	8,285,703	8,457,908	0.5	22.8
Total			92,582,576	86,266,158	178,848,734	19.8	42.3
distribution of the second			*	*			

⁽¹⁾ Probable expansion capacity includes possible expansion capacity that we believe, based on industry practice and our experience, is likely to be permitted. The criteria we use to determine if permit expansion is probable include, but are not limited to whether:

(i) we believe that the project has fatal flaws; (ii) the land is owned or controlled by us, or under option agreement; (iii) we have committed to the expansion; (iv) financial analysis has been completed, and the results indicate that the expansion has the prospect of a positive financial and operational impact; (v) personnel are actively working to obtain land use, local, and state approvals for an expansion of an existing landfill; (vi) we believe the permit is likely to be received; and (vii) we believe that the timeframe to complete the permitting is reasonable. Please read notes 1 and 2 to our consolidated financial statements for information regarding our landfill accounting and use of estimates.

- (2) Includes expansions that we classify as "probable." Please read notes 1 and 2 to our consolidated financial statements for information regarding our landfill accounting and use of estimates.
- (3) Based on current and estimated future disposal volumes.
- (4) Fully permitted but has not yet commenced operations, and therefore remaining permitted life and total remaining life cannot be calculated.

As indicated in the table above, as of December 31, 2005, 7 of our landfills were permitted to accept municipal solid waste. The remaining 12 landfills were permitted to accept non-hazardous dry construction and demolition debris, which generally includes bricks, boards, metal, concrete, wall board and similar materials. All of our landfills accept waste from municipalities, private sector waste collection companies and the general public.

Based on remaining permitted capacity (including probable expansions) as of December 31, 2005 and projected annual disposal volumes, the average remaining landfill life of our 17 operating landfills at December 31, 2005 was approximately 42.3 years. Some of our landfills have the potential for expanded disposal capacity beyond their currently permitted limits. We monitor the availability of permitted disposal capacity at each of our landfills on an ongoing basis and evaluate whether to pursue an expansion at a given landfill. In making this determination with respect to a particular landfill, we consider a number of factors, including the estimated future volume of waste to be disposed of at the landfill, the estimated future prices for disposal of waste at the landfill, the amount of unpermitted acreage included in the landfill, the likelihood that we will be able to obtain the required approvals and permits for expansion and the costs of developing the additional capacity. Please read notes 1 and 2 to our consolidated financial statements for information regarding our landfill accounting and use of estimates. We also regularly consider whether it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams or to seek other permit modifications.

We are currently seeking to expand permitted capacity at several of our landfills for which we consider expansions to be probable. These or other future expansions may not be permitted as designed and the average remaining landfill life of our 17 operating landfills as of December 31, 2005 may not be approximately 42.3 years when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume.

Available Airspace

The following table reflects airspace activity for landfills owned or operated by us for the years ended December 31, 2005, 2004 and 2003. The table does not include airspace activity for the landfill acquired after December 31, 2005 as discussed in "—Acquisition History After Our Initial Public Offering" above.

	Balance as of December 31, 2004	New Expansio Undertak	Landfills Acquired, Net of Divestiture	Permits Granted	Airspace Consumed	Changes in Engineering Estimates and Design	Balance as of December 31,
Permitted Airspace:							
Cubic yards (in		. * •	1				
thousands)	73,109		23,923		(3,854)	(595)	92,583
Number of sites	14		5	· '			19
Expansion airspace:							
Cubic yards (in							
thousands)	39,986		46,138			142	86,266
Number of sites	. 8		. 4 , .				12
Total available airspace:			· · · · · · · · · · · · · · · · · · ·				
Cubic yards (in	•						
thousands)	113,095	=	70,061	<u></u>	(3,854)	(453)	178,849
Number of sites	. 14		5				19
	· · · · · · · · · · · · · · · · · · ·					* *	
			8	e .			

and the second second	Balance as of	New	Landfills	in the second of		Changes in Engineering	Balance as of
when the state of	December 31,	Expansions	Acquired, Net	Permits	Airspace	Estimates	December 31,
	2003	Undertaken	of Divestiture	Granted	Consumed	and Design	2004
Permitted Airspace:	The same of the sa			The second section of the second section is a second section of the			
Cubic yards (in thousands)	56,863		5,400	15,075	(2,623)	(1,606)	73,109
Number of sites	13		1	Emittani (Pro Arg a stromania em astrofono coa a se e a a	and the second s		. 14
Expansion airspace:	was and the committee of the committee o	The commence of the control of the c	. The comment that all the comment of the contract of the cont	annuary problems and the contents of the conte	and the state of t	والمراجع الأراد والوسادة والمستوينية	
Cubic yards (in thousands)	20,669	28,170	† 	(15,075)		6,222	39,986
Number of sites		5	· · · <u></u> ·	(2)	·	·	8 .
Total available airspace:		10 - Feyer 1 - 10 - 10 - 10 - 10 - 10 - 10 - 10 -			tor W. Army		
Cubic yards (in							1
thousands)	<u>77,532</u>	28,170	5,400		(2,623)	4,616	113,095
Number of sites	13		1	oranional program of the control of	as a specimental control of the same of th	Angertain and the same of the	14
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	Balance as of	New	Landfills			in Engineeri	Balance as of
	December 31,	Expansions	Acquired, Net	Permits	Airspace	Estimates	December 31,
· · · · · · · · · · · · · · · · · · ·	2002	<u>Undertaken</u>	of Divestiture	Granted	Consumed	and Design	2003
Permitted Airspace:	С 1988-жыл жылымга ороны таажында таажында орон отон дауын көтөрө кеңетт. Так 1981 г.	The original control of the control	e de la composition della comp	Marine and the contract of the	Differentiation and 20 comments are not the same of the same		
Cubic yards (in	14			.e. 7		* 15. *	
thousands)	44,125	· ·	8,750	6,289	(2,301)		56,863
Number of sites	12		1				13
Expansion airspace:		4	,	-	1 1		
Cubic yards (in thousands)	22,958	4,000		(6,289)		+ . —	20,669
Number of sites	<u> </u>	1	·	(1)		= '	5
Total available airspace:							
Cubic yards (in				• • • •	1 4		3 47.
thousands)	67,083	4,000	8,750		(2,301)	=	77,532
Number of sites	12		1				13

Risk Management, Insurance and Financial Assurances

Our environmental risk management program includes evaluating existing facilities and potential acquisitions for environmental compliance. We do not presently expect environmental compliance costs to increase materially above current levels, but we cannot predict whether recent and future acquisitions will cause such costs to increase. We also maintain a worker safety program that encourages safe practices in the workplace. Operating practices at all of our facilities emphasize minimizing the possibility of environmental contamination and liability.

The nature of our business exposes us to the risk of liabilities arising out of our operations, including possible damages to the environment. Such potential liabilities could involve, for example: (i) claims for remediation costs, personal injury, property damage and damage to the environment in cases where we may be held responsible for the escape of harmful materials; (ii) claims of employees, customers or third parties for personal injury or property damage occurring in the course of our operations; or (iii) claims alleging negligence in the planning or performance of work. We could also be subject to fines and civil and criminal penalties in connection with alleged violations of regulatory requirements. Because of the nature and scope of the possible environmental damages, liabilities imposed in environmental litigation can be significant. Our solid waste operations have third party environmental liability insurance with limits in excess of those required by permit regulations, subject to certain limitations and exclusions, which we believe are customary in the industry. However, the limits of such environmental liability insurance may be inadequate in the event of a major loss. Further, we may be unable to continue to carry excess

environmental liability insurance should market conditions in the insurance industry make such coverage prohibitively expensive.

We have property insurance, general liability, automobile physical damage and liability, employment practices liability, pollution liability, directors and officers liability, fiduciary liability, workers' compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in our primary general liability, automobile liability and employer's liability policies. Each of our insurance policies contains a per occurrence or per loss deductible for which we are responsible. Our deductibles range from \$5,000 per loss under our property insurance coverage to \$100,000 for general liability and \$250,000 per occurrence or loss under our automobile liability and workers' compensation and employer's liability coverages. In addition, we have a \$500,000 per loss deductible under our pollution liability coverage. Accordingly, we are effectively self-insured for these amounts with respect to claims covered by our insurance policies, as well as with respect to amounts that exceed our policy limits (including our umbrella policy limits, where applicable). In the future, we may be exposed to uninsured liabilities which could have a material adverse effect on our financial condition, results of operations or cash flows. Please read note 13(e) to our consolidated financial statements.

In the normal course of business, we are required to post performance bonds, insurance policies, letters of credit and/or cash deposits in connection with the performance of municipal residential collection contracts, the operation, closure or post-closure of landfills, certain environmental permits and certain business licenses and permits. Bonds issued by surety companies operate as a financial guarantee of our performance. We have satisfied financial responsibility requirements by obtaining bank letters of credit, insurance policies, performance bonds or making cash deposits. As of December 31, 2005, we had obtained performance bonds in an aggregate amount of approximately \$32.8 million and letters of credit in an aggregate amount of approximately \$8.2 million, supporting performance of landfill closure and post-closure requirements, insurance contracts, municipal contracts and other financial assurance obligations. If in the future we are unable to obtain such instruments in sufficient amounts or at acceptable rates, we could be precluded from entering into additional municipal solid waste collection contracts or obtaining or retaining landfill or transfer station operating permits. Please read "—Risk Factors—Risks Relating To Our Business—We may be unable to obtain financial assurances necessary for our operations, which could result in the closure of landfills or the termination of collection contracts."

Competition

The solid waste collection and disposal industry is highly competitive and fragmented and requires substantial labor and capital resources. The industry presently includes three large, publicly-held, national waste companies, Waste Management, Inc., Allied Waste Industries, Inc., and Republic Services, Inc., as well as other public and privately-held waste companies. These three companies account for approximately 57% of the estimated \$46.5 billion of annual revenue generated by the industry. Certain of the markets in which we compete or will likely compete are served by one or more of these companies, as well as by numerous privately-held regional and local solid waste companies of varying sizes and resources, some of which have accumulated substantial goodwill in their markets. We also compete with operators of alternative disposal facilities and with counties, municipalities and solid waste districts that maintain their own waste collection and disposal operations. Public sector operations may have financial advantages over us because of their access to user fees and similar charges, tax revenues and tax-exempt financing.

We compete for collection, transfer and disposal volume based primarily on geographic location and the price and quality of our services. From time to time, our competitors may reduce the price of their services in an effort to expand their market shares or service areas or to win competitively bid municipal contracts. These practices may cause us to reduce the price of our services or, if we elect not to do so, to lose business.

The solid waste collection and disposal industry has undergone significant consolidation, and we encounter competition in our efforts to acquire landfills, transfer stations and collection operations. Intense competition exists not only for collection, transfer and disposal volume but also for acquisition candidates. We generally compete for acquisition candidates with publicly owned waste management companies, as well as numerous privately-held

regional and local solid waste companies of varying sizes and resources. Competition in the disposal industry may also be affected by the increasing national emphasis on recycling and other waste reduction programs, which may reduce the volume of waste deposited in landfills. Accordingly, it may become uneconomical for us to make further acquisitions or we may be unable to locate or acquire suitable acquisition candidates at price levels and on terms and conditions that we consider appropriate, particularly in markets we do not already serve.

Non-Competition Agreements

In connection with the sale by Waste Corporation of America in 2003 of operations located in west Texas, we may not compete with the buyer in 10 counties in west Texas through July 2006. In addition, the Reorganization Agreement we entered into with Waste Corporation of America in connection with our internal corporate reorganization in June 2004 contains a mutual non-competition agreement pursuant to which we and our subsidiaries agreed not to acquire or operate any waste operations within 50 miles of any of Waste Corporation of America's or its subsidiaries' operations in Florida, Colorado or New Mexico, and Waste Corporation of America and its subsidiaries agreed not to acquire or operate any waste operations within 50 miles of any of our or our subsidiaries' operations in Alabama, Arkansas, Kansas, Missouri, South Carolina, Tennessee or Texas through June 2009.

On October 3, 2005, we acquired Waste Corporation of Central Florida, Inc. from Waste Corporation of America. On February 10, 2006, we acquired Transit Waste LLC from Waste Corporation of America. As a part of those transactions, we amended the Reorganization Agreement by deleting the restrictions on us. However, Waste Corporation of America is still bound by the terms of the non-competition agreement described above. Service and a service of

Sales and Marketing

We focus our marketing efforts on continuing and expanding business with existing customers, as well as attracting new customers. Our sales and marketing strategy is to provide prompt, high quality, comprehensive solid waste collection, transfer and disposal services to our customers at competitive prices. We target potential customers of all sizes, from small quantity generators to large companies and municipalities. Because the waste collection and disposal business is a very localized business, most of our marketing activity is local in nature. However, we do have a vice president of sales who is responsible for overseeing our sales and marketing efforts, including assisting in hiring and setting compensation programs.

Government Contracts

We are parties to contracts with municipalities and other associations and agencies. Many of these contracts are or will be subject to competitive bidding. We may not be the successful bidder, or we may have to substantially lower prices in order to be the successful bidder. In addition, some of our customers may terminate their contracts with us before the end of the contract term.

Municipalities may annex unincorporated areas within counties where we provide collection services, and as a result, our customers in annexed areas may be required to obtain service from competitors who have been franchised or contracted by the annexing municipalities to provide those services. Some of the local jurisdictions in which we currently operate grant exclusive franchises to collection and disposal companies, others may do so in the future, and we may enter markets where franchises are granted by certain municipalities.

Regulation

Our business is subject to extensive and evolving federal, state and local environmental, health, safety and transportation laws and regulations. These laws and regulations are administered by the U.S. Environmental Protection Agency, or EPA, and various other federal, state and local environmental, zoning, air, water, transportation, land use, health and safety agencies. Many of these agencies regularly inspect our operations to monitor compliance with these laws and regulations. Governmental agencies have the authority to enforce compliance with these laws and regulations and to obtain injunctions or impose civil or criminal penalties in cases

of violations. We believe that regulation of the waste industry will continue to evolve, and we will adapt to future legal and regulatory requirements to ensure compliance.

Our operation of landfills subjects us to certain operational, monitoring, site maintenance, closure, post-closure and other obligations which could give rise to increased costs for compliance and corrective measures. In connection with our acquisition of landfills and continued operation or expansion of our landfills, we must often spend considerable time to increase the capacity of these landfills. We may be unable to obtain or maintain necessary governmental approvals. Once obtained, operating permits are subject to modification and revocation by the issuing agency. Compliance with these and any future regulatory requirements could require us to make significant capital and operating expenditures. However, most of these expenditures are made in the normal course of business and do not place us at any competitive disadvantage.

Our operations are subject to extensive regulation, principally under the federal statutes described below.

The Resource Conservation and Recovery Act of 1976, as amended, or RCRA. RCRA regulates the handling, transportation and disposal of hazardous and non-hazardous wastes and delegates authority to states to develop programs to ensure the safe disposal of solid wastes. On October 9, 1991, the EPA promulgated Solid Waste Disposal Facility Criteria for non-hazardous solid waste landfills under Subtitle D of RCRA. Subtitle D includes location standards, facility design and operating criteria, closure and post-closure requirements, financial assurance standards and groundwater monitoring, as well as corrective action standards, many of which had not commonly been in place or enforced at landfills. Subtitle D applies to all solid waste landfill cells that received waste after October 9, 1991, and, with limited exceptions, required all landfills to meet these requirements by October 9, 1993. All states in which we operate have EPA-approved programs which implemented at least the minimum requirements of Subtitle D.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or CERCLA. CERCLA, which is also known as Superfund, addresses problems created by the release or threatened release of hazardous substances (as defined in CERCLA) into the environment. CERCLA's primary mechanism for achieving remediation of such problems is to impose strict, joint and several liability for cleanup of disposal sites on current owners and operators of the site, former site owners and operators at the time of disposal and parties who arranged for disposal at the facility (i.e., generators of the waste and transporters who select the disposal site). The costs of a CERCLA cleanup can be substantial. Liability under CERCLA is not dependent on the existence or intentional disposal of "hazardous wastes" (as defined under RCRA), but can also be based upon the release or threatened release, even as a result of lawful, unintentional and non-negligent action, of any one of the more than 700 "hazardous substances" listed by the EPA, even in minute amounts.

The Federal Water Pollution Control Act of 1972, as amended, or the Clean Water Act. This act establishes rules regulating the discharge of pollutants into streams and other waters of the United States (as defined in the Clean Water Act) from a variety of sources, including solid waste disposal sites. If runoff from our landfills or transfer stations may be discharged into surface waters, the Clean Water Act requires us to apply for and obtain discharge permits, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in those discharges. In 1990, the EPA issued additional rules under the Clean Water Act, which establish standards for management of storm water runoff from landfills and which require landfills that receive, or in the past received, industrial waste to obtain storm water discharge permits. In addition, if a landfill or transfer station discharges wastewater through a sewage system to a publicly-owned treatment works, the facility must comply with discharge limits imposed by the treatment works. Also, if development of a landfill may alter or affect "wetlands," the owner may have to obtain a permit and undertake certain mitigation measures before development may begin. This requirement is likely to affect the construction or expansion of many solid waste disposal sites.

The Clean Air Act of 1970, as amended, or the Clean Air Act. The Clean Air Act provides for increased federal, state and local regulation of the emission of air pollutants. The EPA has applied the Clean Air Act to solid waste landfills and vehicles with heavy duty engines, such as waste collection vehicles. Additionally, in March 1996, the EPA adopted New Source Performance Standards and Emission Guidelines (the "Emission Guidelines") for municipal solid waste landfills to control emissions of landfill gases. These regulations impose limits on air

emissions from solid waste landfills. The Emission Guidelines impose two sets of emissions standards, one of which is applicable to all solid waste landfills for which construction or modification was commenced before May 30, 1991. The other applies to all municipal solid waste landfills for which construction, reconstruction or modification was commenced on or after May 30, 1991. The Emission Guidelines are being implemented by the states after the EPA approves the individual state's program. These guidelines, combined with the new permitting programs established under the Clean Air Act, subject solid waste landfills to significant permitting requirements and, in some instances, require installation of gas recovery systems to reduce emissions to allowable limits. The EPA also regulates the emission of hazardous air pollutants from municipal landfills and has promulgated regulations that require measures to monitor and reduce such emissions.

The Occupational Safety and Health Act of 1970, as amended, or OSHA. OSHA establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration and various record keeping, disclosure and procedural requirements. Various standards, including standards for notices of hazards, safety in excavation and demolition work and the handling of asbestos, may apply to our operations.

Flow Control/Interstate Waste Restrictions. Certain permits and approvals, as well as certain state and local regulations, may limit a landfill or transfer station to accepting waste that originates from specified geographic areas, restrict the importation of out-of-state waste or wastes originating outside the local jurisdiction or otherwise discriminate against non-local waste. These restrictions, generally known as flow control restrictions, are controversial, and some courts have held that some flow control schemes violate constitutional limits on state or local regulation of interstate commerce. From time to time, federal legislation is proposed that would allow some local flow control restrictions. Although no such federal legislation has been enacted to date, if such federal legislation should be enacted in the future, states in which we own landfills could limit or prohibit the importation of out-of-state waste or direct that wastes be handled at specified facilities. Such state actions could adversely affect our landfills. These restrictions could also result in higher disposal costs for our collection operations. If we were unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

Certain state and local jurisdictions may also seek to enforce flow control restrictions through local legislation or contractually. In certain cases, we may elect not to challenge such restrictions. These restrictions could reduce the volume of waste going to landfills in certain areas, which may adversely affect our ability to operate our landfills at their full capacity and/or reduce the prices that we can charge for landfill disposal services. These restrictions may also result in higher disposal costs for our collection operations. If we were unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

State and Local Regulation. Each state in which we now operate or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, transportation and disposal of solid waste, occupational safety and health, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of landfills and transfer stations. State and local permits and approval for these operations may be required and may be subject to periodic renewal, modification or revocation by the issuing agencies. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some provide for the imposition of liens on property owned by responsible parties. Furthermore, many municipalities also have ordinances, local laws and regulations affecting our operations. These include zoning and health measures that limit solid waste management activities to specified sites or activities, flow control provisions that direct or restrict the delivery of solid wastes to specific facilities, laws that grant the right to establish franchises for collection services and then put such franchises out for bid and bans or other restrictions on the movement of solid wastes into a municipality.

Permits or other land use approvals with respect to a landfill, as well as state or local laws and regulations, may specify the quantity of waste that may be accepted at the landfill during a given time period and/or specify the

types of waste that may be accepted at the landfill. Once an operating permit for a landfill is obtained, it must generally be renewed periodically. Charles and the control of the contr

There has been an increasing trend at the state and local level to mandate and encourage waste reduction and recycling and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as yard wastes, beverage containers, unshredded tires, lead-acid batteries, paper, cardboard and household appliances. The enactment of regulations reducing the volume and types of wastes available for transport to and disposal in landfills could prevent us from operating our facilities at their full capacity.

Many states and local jurisdictions have enacted "bad boy" laws that allow the agencies that have jurisdiction over waste services contracts or permits to deny or revoke these contracts or permits based on the applicant's or permit holder's compliance history. Some states and local jurisdictions go further and consider the compliance history of the parent, subsidiaries or affiliated companies, in addition to that of the applicant or permit holder. These laws authorize the agencies to make determinations of an applicant's or permit holder's fitness to be awarded a contract to operate and to deny or revoke a contract or permit because of unfitness unless there is a showing that the applicant or permit holder has been rehabilitated through the adoption of various operating policies and procedures put in place to assure future compliance with applicable laws and regulations.

Some state and local authorities enforce certain federal laws in addition to state and local laws and regulations. For example, in some states, RCRA, OSHA, parts of the Clean Air Act and parts of the Clean Water Act are enforced by local or state authorities instead of the EPA, and in some states those laws are enforced jointly by state or local and federal authorities.

Public Utility Regulation. In many states, public authorities regulate the rates that landfill operators may charge. The adoption of rate regulation or the reduction of current rates in states in which we own landfills could adversely affect our business, financial condition and operating results. The second of the second of the 4.1

Seasonality

Based on our industry and our historic trends, we expect our operations to vary seasonally. Typically, revenue will be highest in the second and third calendar quarters and lowest in the first and fourth calendar quarters. The fluctuation is primarily due to lower volumes of solid waste generated during the winter months because of decreased construction and demolition activities. We also expect that our operating expenses may be higher during the winter months due to periodic adverse weather conditions that can slow the collection of waste, resulting in higher labor and operational costs. Please read "-Risk Factors-Risks Relating To Our Operations and Corporate Organization—Seasonal fluctuations will cause our business and results of operations to vary among quarters, which could adversely affect our stock price."

Employees, and the employees of the company of the employees.

As of December 31, 2005, we had approximately 800 full-time employees. A group of 17 employees at one of our locations is represented by a union and we negotiated a collective bargaining agreement with them which expired on March 3, 2006. We have agreed to extend the terms of the existing contract while we enter into negotiations for a new contract. We have not experienced a significant work stoppage, and we believe our relations with our employees are good. and the second of the second o

Risk Factors

Risks Relating to Our Acquisition Program

We may be unable to identify, complete or integrate future acquisitions, which may harm our prospects.

We may be unable to identify appropriate acquisition candidates. If we do identify an appropriate acquisition candidate, we may not be able to negotiate acceptable terms or finance the acquisition or, if the acquisition occurs,

effectively integrate the acquired business into our existing business. Negotiations of potential acquisitions and the integration of acquired business operations require a disproportionate amount of management's attention and our resources. Even if we complete additional acquisitions, continued financing may not be available or available on reasonable terms, any new businesses may not generate revenues comparable to our existing businesses, the anticipated cost efficiencies or synergies may not be realized and these businesses may not be integrated successfully or operated profitably or accretive to our earnings.

We compete for acquisition candidates with other purchasers, some of which have greater financial resources and may be able to offer more favorable terms, thus limiting our ability to grow through acquisitions.

Other companies in the solid waste services industry also have a strategy of acquiring and consolidating regional and local businesses. We expect that as the consolidation trend in our industry continues, the competition for acquisitions will increase. Competition for acquisition candidates may make fewer acquisition opportunities available to us or make those opportunities more expensive.

In connection with financing acquisitions, we may incur additional indebtedness, or may issue additional shares of our common stock which would dilute the ownership percentage of existing stockholders.

We intend to finance acquisitions with available cash, borrowings under our credit facility, shares of our common stock or a combination of these means. As a result, we may incur additional indebtedness or issue additional shares of our common stock which would dilute the ownership percentage of existing stockholders. Our credit facility contains covenants restricting, among other things, the amount of additional indebtedness. We expect to offer shares of our common stock as some or all of the consideration for certain acquisitions. Our ability to do so will depend in part on the attractiveness of our common stock. This attractiveness may depend largely on the capital appreciation prospects of our common stock compared to the common stock of our competitors. If the market price of our common stock were to decline materially over a prolonged period of time, we may find it difficult to use our common stock as consideration for acquisitions.

Businesses that we acquire may have unknown liabilities and require unforeseen capital expenditures, which would adversely affect our financial results.

We may acquire businesses with liabilities that we fail to discover, including liabilities arising from non-compliance with environmental laws by prior owners for which we may be responsible as the successor owner. Moreover, as we integrate a new business, we may discover that required expenses and capital expenditures are greater than anticipated, which would adversely affect our financial results.

Rapid growth may strain our management, operational, financial and other resources, which would adversely affect our financial results.

Executing our acquisition strategy will require significant time from our senior management. We may also be required to expand our operational and financial systems and controls and our management information systems capabilities. We may also need to attract and train additional senior managers, technical professionals and other employees. Failure to do any of these could restrict our ability to maintain and improve our profitability while continuing to grow.

We may incur charges related to acquisitions, which could lower our earnings.

We capitalize some expenditures and advances relating to acquisitions and pending acquisitions, but expense indirect acquisition costs, including general corporate overhead, as they are incurred. We charge against earnings any unamortized capitalized expenditures and advances (net of any amount that we estimate we will recover, through sale or otherwise) that relate to any pending acquisition that is not consummated. We, therefore, may incur charges in future periods, which could lower our earnings.

Risks Relating To Our Business

Changes in interest rates may affect our profitability.

Our acquisition strategy could require us to incur substantial additional indebtedness in the future, which will increase our interest expense. Further, to the extent that these borrowings are subject to variable rates of interest, increases in interest rates will increase our interest expense, which will affect our profitability. In order to better manage changes in interest rates, in November 2005, we entered into a swap arrangement with our primary lender as intermediary to exchange \$150 million of our floating rate debt for fixed-rate debt. After giving effect to the interest rate swap in place, as of December 31, 2005, we had \$12.0 million of floating rate based long-term debt. If interest rates were to change by 100 basis points, or 1%, this would result in a corresponding change of \$0.1 million in annual interest expense.

We are subject to environmental and safety laws, which restrict our operations and increase our costs.

We are subject to extensive federal, state and local laws and regulations relating to environmental protection and occupational safety and health. These include, among other things, laws and regulations governing the use, treatment, storage and disposal of wastes and materials, air quality, water quality and the remediation of contamination associated with the release of hazardous substances. Our compliance with existing regulatory requirements is costly, and continued changes in these regulations could increase our compliance costs. Government laws and regulations often require us to enhance or replace our equipment and to modify landfill operations and may, in the future, require us to initiate final closure of a landfill. We are required to obtain and maintain permits that are subject to strict regulatory requirements and are difficult and costly to obtain and maintain. We may be unable to implement price increases sufficient to offset the cost of complying with these laws and regulations. In addition, regulatory changes could accelerate or increase expenditures for closure and post-closure monitoring at solid waste facilities and obligate us to spend sums over the amounts that we have accrued.

We may become subject to environmental clean-up costs or litigation that could curtail our business operations and materially decrease our earnings.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or CERCLA, and analogous state laws provide for the remediation of contaminated facilities and impose strict joint and several liability for remediation costs on current and former owners or operators of a facility at which there has been a release or a threatened release of a "hazardous substance." This liability is also imposed on persons who arrange for the disposal of and who transport such substances to the facility. Hundreds of substances are defined as "hazardous" under CERCLA and their presence, even in small amounts, can result in substantial liability. The expense of conducting a cleanup can be significant. Notwithstanding our efforts to comply with applicable regulations and to avoid transporting and receiving hazardous substances, we may have liability because these substances may be present in waste collected by us or disposed of in our landfills, or in waste collected, transported or disposed of in the past by companies that we acquire even if we did not collect or dispose of the waste while we owned the landfill. The actual costs for these liabilities could be significantly greater than the amounts that we might be required to accrue on our financial statements from time to time.

In addition to the costs of complying with environmental regulations, we may incur costs to defend against litigation brought by government agencies and private parties. As a result, we may be required to pay fines or our permits and licenses may be modified or revoked. We may in the future be a defendant in lawsuits brought by governmental agencies and private parties who assert claims alleging environmental damage, personal injury, property damage and/or violations of permits and licenses by us. A significant judgment against us, the loss of a significant permit or license or the imposition of a significant fine could curtail our business operations and may decrease our earnings.

Our accruals for landfill closure and post-closure costs may be inadequate, and our earnings would be lower if we are required to pay or accrue additional amounts.

We are required to pay closure and post-closure costs of any disposal facilities that we own or operate. We accrue for future closure and post-closure costs of our owned landfills, generally for a term of five years for C&D landfills and 30 years for MSW landfills, based on engineering estimates of future requirements associated with the final landfill design and closure and post-closure process. Our obligations to pay closure and post-closure costs, including for monitoring, may exceed the amount we accrued, which would adversely affect our earnings. Expenditures for these costs may increase as a result of any federal, state or local government regulatory action, including changes in closing or monitoring activities, types and quantities of materials used or the period of required post-closure monitoring. These factors could substantially increase our operating costs and therefore impair our ability to invest in our existing facilities or new facilities. The amount of our accruals is based upon estimates by management and engineers and accountants. We review at least annually our estimates for closure and post-closure costs, and any change in our estimates could require us to accrue additional amounts.

We may be unable to obtain financial assurances necessary for our operations, which could result in the closure of landfills or the termination of collection contracts.

We are required to provide financial assurances to governmental agencies under applicable environmental regulations relating to landfill closure and post-closure obligations, our landfill operations, and other collection and disposal contracts. We satisfy these financial assurances requirements by providing performance bonds, letters of credit, insurance policies or trust deposits. During the past three years, the costs associated with bonding and insurance have risen dramatically, the financial capacity and other requirements imposed by bonding and insurance companies have become more difficult to comply with than in prior years, and the number of these bonding and insurance companies has decreased. We have been required, and may in the future be required, to obtain personal guarantees from certain of our senior executive officers, directors and an affiliate of our largest stockholder in order to obtain these types of instruments. We have compensated and indemnified, and may in the future compensate and indemnify, our senior executive officers, directors and the affiliate of our largest stockholder for these guarantees. We may be unable to provide the level of financial assurance that we are required to provide in the future or it may become too costly to do so, which in either case could result in the closure of landfills or the termination of collection contracts.

Our business is capital intensive, requiring ongoing cash outlays that may strain or consume our available capital and force us to sell assets, incur debt, or sell equity on unfavorable terms.

Our ability to remain competitive, grow and maintain operations largely depends on our cash flow from operations and access to capital. Maintaining our existing operations and expanding them through internal growth or acquisitions requires large capital expenditures. As we undertake more acquisitions and further expand our operations, the amount we expend on capital, closure and post-closure and remediation expenditures will increase. These increases in expenditures may result in lower levels of working capital or require us to finance working capital deficits. We intend to continue to fund our cash needs through cash flow from operations and borrowings under our credit facility, if necessary. However, we may require additional equity or debt financing to fund our growth.

We do not have complete control over our future performance because it is subject to general economic, political, financial, competitive, legislative, regulatory and other factors. It is possible that our business may not generate sufficient cash flow from operations, and we may not otherwise have the capital resources, to allow us to make necessary capital expenditures. If this occurs, we may have to sell assets, restructure our debt or obtain additional equity capital, which could be dilutive to our stockholders. We may not be able to take any of the foregoing actions, and we may not be able to do so on terms favorable to us or our stockholders.

Increases in the costs of disposal may reduce our operating margins.

We dispose of approximately one-fourth of the waste that we collect in landfills operated by others, but that rate may increase in the future. We may incur increases in disposal fees paid to third parties or in the costs of operating our own landfills. Failure to pass these costs on to our customers may reduce our operating margins.

Increases in the costs of labor may reduce our operating margins.

We compete with other businesses in our markets for qualified employees. The labor market is currently tight in many of the areas in which we operate. A shortage of qualified employees would require us to enhance our wage and benefits packages to compete more effectively for employees or to hire more expensive temporary employees. Labor is our second largest operating cost, and even relatively small increases in labor costs per employee could materially affect our cost structure. Failure to attract and retain qualified employees, to control our labor costs, or to recover any increased labor costs through increased prices we charge for our services or otherwise offset such increases with cost savings in other areas may reduce our operating margins.

Increases in the costs of fuel may reduce our operating margins.

The price and supply of fuel needed to run our collection and transfer trucks and our landfill equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. During 2005 and 2004, we experienced increases in the cost of diesel fuel as a percentage of revenue of 6.5% and 4.9%, respectively. Any significant price escalations or reductions in the supply could increase our operating expenses or interrupt or curtail our operations. Failure to offset all or a portion of any increased fuel costs through increased fees or charges would reduce our operating margins.

Increases in costs of insurance would reduce our operating margins.

One of our largest operating costs is for insurance coverage, including general liability, automobile physical damage and liability, property, employment practices, pollution, directors and officers, fiduciary, workers' compensation and employer's liability coverage, as well as umbrella liability policies to provide excess coverage over the underlying limits contained in our primary general liability, automobile liability and employer's liability policies. Changes in our operating experience, such as an increase in accidents or lawsuits or a catastrophic loss, could cause our insurance costs to increase significantly or could cause us to be unable to obtain certain insurance. Increases in insurance costs would reduce our operating margins. Changes in our industry and perceived risks in our business could have a similar effect.

We may not be able to maintain sufficient insurance coverage to cover the risks associated with our operations, which could result in uninsured losses that would adversely affect our financial condition.

Integrated non-hazardous waste companies are exposed to a variety of risks that are typically covered by insurance arrangements. However, we may not be able to maintain sufficient insurance coverage to cover the risks associated with our operations for a variety of reasons. Increases in insurance costs and changes in the insurance markets may, given our resources, limit the coverage that we are able to maintain or prevent us from insuring against certain risks. Large or unexpected losses may exceed our policy limits, adversely affecting our results of operations, and may result in the termination or limitation of coverage, exposing us to uninsured losses, thereby adversely affecting our financial condition.

Our failure to remain competitive with our numerous competitors, some of which have greater resources, could adversely affect our ability to retain existing customers and obtain future business.

Our industry is highly competitive. We compete with large companies and municipalities, many of which have greater financial and operational resources. The non-hazardous solid waste collection and disposal industry is led

by three large national, publicly-traded waste management companies that account for approximately 57% of the estimated \$46.5 billion of annual industry revenues. The industry also includes numerous regional and local companies. Additionally, many counties and municipalities operate their own waste collection and disposal facilities and have competitive advantages not available to private enterprises. We also encounter competition from alternatives to landfill disposal, such as recycling and incineration, that benefit from state requirements to reduce landfill disposal. If we are unable to successfully compete against our competitors, our ability to retain existing customers and obtain future business could be adversely affected.

We may lose contracts through competitive bidding, early termination or governmental action, or we may have to substantially lower prices in order to retain certain contracts, any of which would cause our revenues to decline.

We are parties to contracts with municipalities and other associations and agencies. Many of these contracts are or will be subject to competitive bidding. We may not be the successful bidder, or we may have to substantially lower prices in order to be the successful bidder. In addition, some of our customers may terminate their contracts with us before the end of the contract term. If we were not able to replace revenues from contracts lost through competitive bidding or early termination or from lowering prices or from the renegotiation of existing contracts with other revenues within a reasonable time period, our revenues could decline.

Municipalities may annex unincorporated areas within counties where we provide collection services, and as a result, our customers in annexed areas may be required to obtain service from competitors who have been franchised or contracted by the annexing municipalities to provide those services. Some of the local jurisdictions in which we currently operate grant exclusive franchises to collection and disposal companies, others may do so in the future, and we may enter markets where franchises are granted by certain municipalities. Unless we are awarded a franchise by these municipalities, we will lose customers which will cause our revenues to decline.

Comprehensive waste planning programs and initiatives required by state and local governments may reduce demand for our services, which could adversely affect our waste volumes and the price of our landfill disposal services.

Many of the states in which we operate landfills require counties and municipalities to formulate comprehensive plans to reduce the volume of solid waste disposed of in landfills through waste planning, recycling, composting or other programs. Some state and local governments mandate waste reduction at the source and prohibit the disposal of certain types of wastes, such as yard wastes, at landfills. These actions may reduce the volume of waste going to landfills in certain areas, and therefore our landfills may not continue to operate at currently estimated volumes or they may be unable to charge current prices for landfill disposal services.

Covenants in our credit facility and the agreements governing our other indebtedness may limit our ability to grow our business and make capital expenditures.

Our credit facility and certain of the agreements governing our other indebtedness impose financial covenants and ratios that we must satisfy and other covenants that limit certain actions that we may take (including, among other things, our ability to incur additional indebtedness, grant liens and make investments) and acquisitions. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facility." All of these restrictions could affect our ability to take advantage of potential business opportunities. Our ability to comply with these covenants and restrictions may be affected by changes in economic or business conditions or other events beyond our control.

Failure to observe these restrictions could result in a default, allowing acceleration of the debt incurred under those agreements, requiring us to repay the indebtedness under such credit facility and, if we were unable to do so, allowing the lenders to foreclose on their collateral (which includes substantially all of the assets we own, including the stock and assets of our subsidiaries). A default also could result from our inability to repay any indebtedness when due. Moreover, default under one agreement could lead to an acceleration of indebtedness under other agreements that contain cross-acceleration or cross-default provisions.

Efforts by labor unions to organize our employees could divert management attention and increase our operating expenses.

Labor unions have in the past attempted to organize our employees, and these efforts will likely continue in the future. At its 2003, national meeting, the International Brotherhood of Teamsters announced that our industry is one in which it will begin focusing its efforts. In March 2001, a group of employees chose to be represented by a union, and we negotiated a collective bargaining agreement with them which expired on March 3, 2006. We have agreed to extend the terms of the existing contract while we enter into negotiations for a new contract. As of December 31, 2005, there were 17 employees in that group. Additional groups of employees may seek union representation in the future, and the negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. If we are unable to negotiate acceptable collective bargaining agreements, we might have to wait through "cooling off" periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of these work stoppages, our operating expenses could increase significantly.

A general downturn in U.S. economic conditions may reduce our business prospects and decrease our revenues and cash flows. Our business is affected by general economic conditions. Any extended weakness in the U.S. economy could reduce our business prospects and could cause decreases in our revenues and operating cash flows. In addition, in a down-cycle economic environment, we would likely experience the negative effects of increased competitive pricing pressure and customer turnover.

Current and proposed laws may restrict our ability to operate across local borders which could affect our manner, cost and feasibility of doing business.

For the year ended December 31, 2005, approximately \$2.1 million, or 1.8%, of our revenue was earned from the disposal of waste that is generated in a state other than the state where it is disposed. These operations could increase in the future. Some states have imposed restrictions on collection routes and disposal locations. Our collection, transfer and landfill operations may also be affected in the future by proposed "flow control" legislation that would allow state and local governments to direct waste generated within their jurisdictions to a specific facility for disposal or processing. Moreover, in the future, our operations may be affected by proposed federal legislation authorizing states to regulate, limit or perhaps even prohibit interstate shipments of waste. If this or similar legislation is enacted, state or local governments with jurisdiction over our landfills could act to limit or prohibit disposal or processing of out-of-state waste in our landfills, whether collected by us or by third parties which could affect our manner, cost and feasibility of doing business.

We may not be successful in expanding the permitted capacity of our current or future landfills, which could restrict our growth, increase our disposal costs, and reduce our operating margins.

Our ability to meet our growth objectives depends in part on our ability to expand landfill capacity, whether by acquisition or expansion. Exhausting permitted capacity at a landfill would restrict our growth, and reduce our financial performance in the market served by the landfill since we would be forced to dispose of collected waste at more distant landfills or at landfills operated by our competitors, thereby increasing our waste disposal expenses. Although we have received final permits on expansions at our existing landfills, there may be challenges, comments, or delays that could have an adverse effect on our operations in these markets. Obtaining required permits and approvals to expand landfills has become increasingly difficult and expensive, requiring numerous hearings and compliance with various zoning, environmental and regulatory laws and drawing resistance from citizens, environmental or other groups. Even if permits are granted, they may contain burdensome terms and conditions or the timing required may be extensive and could affect the remaining capacity at the landfill. We may choose to delay or forego tuck-in acquisitions in markets where the remaining lives of our landfills are relatively short because increased volumes would further shorten the lives of these landfills.

Risks Relating to Our Operations and Corporate Organization

Poor decisions by our regional and local managers could result in the loss of customers or an increase in costs, or adversely affect our ability to obtain future business.

We manage our operations on a decentralized basis. Therefore, regional and local managers have the authority to make many decisions concerning their operations without obtaining prior approval from executive officers. Poor decisions by regional or local managers could result in the loss of customers or an increase in costs, or adversely affect our ability to obtain future business.

We are vulnerable to factors affecting our local markets, which could adversely affect our stock price relative to our competitors.

The non-hazardous waste business is local in nature. Accordingly, our business in one or more regions or local markets may be adversely affected by events and economic conditions relating to those regions or markets even if the other regions of the country are not affected. As a result, our financial performance may not compare favorably to our competitors with operations in other regions, and our stock price could be adversely affected.

Seasonal fluctuations will cause our business and results of operations to vary among quarters, which could adversely affect our stock price.

Based on historic trends experienced by the businesses we have acquired, we expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters, and again lower in the fourth quarter. This seasonality generally reflects the lower volume of solid waste generated because of decreased construction and demolition activities during the winter months. Adverse weather conditions negatively affect waste collection productivity, resulting in higher labor and operational costs. The general increase in precipitation during the winter months increases the weight of collected waste, resulting in higher disposal costs, as costs are often calculated on a per ton basis. Because of these factors, we expect operating income to be generally lower in the winter months. As a result our stock price may be negatively affected by these variations. Additionally, severe weather during any time of the year can negatively affect the costs of collection and disposal and may cause temporary suspensions of our collection and disposal services. Long periods of inclement weather may interfere with collection and landfill operations, delay the construction of landfill capacity and reduce the volume of waste generated by our customers. Any of these conditions can adversely affect our business and results of operations, which could negatively affect our stock price.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As part of our program of compliance with Section 404 of the Sarbanes-Oxley Act, we may identify deficiencies in our internal controls over financial reporting. Failure to maintain an effective internal control environment could have a material adverse effect on our business and our stock price.

Our success depends on key members of our senior management, the loss of any of whom could disrupt our customer and business relationships and our operations.

We believe that our continued success depends in large part on the sustained contributions of our chairman of the board and chief executive officer, Mr. Tom J. Fatjo, Jr., our president and chief operating officer, Mr. Jerome M. Kruszka, and other members of our senior management. We rely on them to identify and pursue new business opportunities and acquisitions and to execute operational strategies. The loss of services of Messrs. Fatjo, Jr. or Kruszka or any other senior management member could significantly impair our ability to identify and secure new contracts and otherwise disrupt our operations. We do not maintain key person life insurance on any of our senior executives. We have entered into employment agreements with our executive officers that contain non-compete and confidentiality covenants. Despite these agreements, we may not be able to retain these officers and may not be able to enforce the non-compete and confidentiality covenants in their employment agreements.

Members of our senior management will devote a portion of their time to Waste Corporation of America LLC's operations, which will divert their attention from our business and operations.

As indicated above, our continued success largely depends on the continued contributions of our senior management. However, Messrs. Fatjo, Jr. and Kruszka and other members of our senior management also serve as executive officers of our former parent, Waste Corporation of America LLC, and, therefore, devote a portion of their time to matters other than our business and operations. We believe that senior management will devote approximately 5% of their time, on average, to Waste Corporation of America LLC's operations.

Conflicts of interest to our stockholders' detriment may arise between us and Waste Corporation of America and its controlling equity holder, who owns a significant portion of our equity and has one director on our board.

As of March 1, 2006, Esping Family and other related entities beneficially owned approximately 12.7% of our common stock. Additionally, these entities continue to own approximately 60.2% of the equity interests of Waste Corporation of America LLC, our former parent and a privately-held solid waste company with which we have administrative services, non-competition and other arrangements. Mr. William P. Esping, who is a former director, and members of his family are the primary beneficial owners of these various entities. Mr. Ballard O. Castleman, who is a member of our board of directors, has an ownership position in and is employed by such entities. Mr. Castleman constitutes one of the five current members of our board of directors. Because of the substantial ownership interest of Esping Family and related entities in Waste Corporation of America LLC, these entities may, in the event a conflict of interest arises between us and Waste Corporation of America LLC and these entities, favor their interests in Waste Corporation of America LLC over their interests in us to the detriment of us and our other stockholders.

Our executive officers, directors and their related entities own a significant interest in our voting stock and may be able to exert significant influence over our management and affairs, which may discourage a potential change of control transaction.

As of March 1, 2006, our executive officers, directors and their related entities (including Esping Family) owned or controlled approximately 24.1% of the outstanding shares of our common stock. Accordingly, these parties, acting together, could possess a controlling vote on matters submitted to a vote of the holders of our common stock. As long as these individuals beneficially own a significant interest, they will have the ability to significantly influence the election of members of our board of directors and to influence our management and affairs. As of March 1, 2006, Esping Family and other related entities, collectively beneficially owned approximately 12.7% of our common stock, as well as approximately 60.2% of the equity of Waste Corporation of America LLC with which we have administrative services, non-competition and other arrangements. This concentration of ownership, the potential ability to significantly influence our management and affairs, and the potential conflicts of interests relating to Waste Corporation of America LLC may have the effect of preventing or discouraging transactions involving a potential change of control or otherwise adversely affect us.

Provisions in our amended and restated certificate of incorporation, our amended and restated bylaws and Delaware law could prohibit a change of control that our stockholders may favor and which could negatively affect our stock price.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. These provisions could discourage potential takeover attempts and could adversely affect the market price of our common stock. Our amended and restated certificate of incorporation and our amended and restated bylaws:

- authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of stock to elect some directors;
- require super-majority voting to effect amendments to provisions of our amended and restated bylaws concerning the number of directors;
- · limit who may call special meetings;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders;
- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholders meeting; and
- require that vacancies on the board of directors, including newly-created directorships, be filled only by a majority vote of directors then in office.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder.

We do not anticipate paying cash dividends on our common stock in the foreseeable future, so you can only realize a return on your investment by selling your shares of our common stock.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors and are prohibited by the terms of our credit facility. Please read "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy." Accordingly, for the foreseeable future you can only realize a return on your investment by selling your shares of our common stock.

We may issue preferred stock that has a liquidation or other preference over our common stock without the approval of the holders of our common stock, which may affect those holders rights or the market price of our common stock.

Our board of directors is authorized to issue series of shares of preferred stock without any action on the part of our stockholders. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of shares of preferred stock that may be issued, including voting rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Available Information

Our Internet website is www.wcawaste.com. We make available through the "Investor Relations-SEC Filings" section of our Internet website our annual report on Form 10–K, quarterly reports on Form 10–Q, current reports on Form 8–K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Item 2. Properties.

Our principal executive offices are located at One Riverway, Suite 1400, Houston, Texas 77056, where we currently lease 12,259 square feet of office space. Currently, we also own or lease field-based administrative offices in Alabama, Arkansas, Colorado, Florida, Kansas, Missouri, New Mexico, North Carolina, South Carolina, Tennessee and Texas.

Our principal property and equipment consist of land (primarily landfills, transfer stations and bases for collection operations), buildings, and vehicles and equipment, including waste collection and transportation vehicles, related support vehicles, carts, containers and heavy equipment used in landfill operations, all of which are encumbered by liens in favor of our lenders. As of December 31, 2005, we owned and/or operated 23 collection operations, 21 transfer stations/MRFs, 7 MSW landfills and 12 C&D landfills. Of these facilities, two transfer stations, one MSW landfill and one C&D landfill are fully permitted but not yet opened, and two transfer stations are idle. We also operated but did not own two of the transfer stations as of December 31, 2005. For a description of our landfills, please read "Business—Our Operations—Landfills."

Item 3. Legal Proceedings.

Information regarding our legal proceedings can be found in note 13(d) to our consolidated financial statements included elsewhere in this report.

Item 4. Submission of Matters to a Vote of Security Holders.

A special meeting of the shareholders was held on Thursday, December 22, 2005 for the purpose of approving an amendment to WCA Waste Corporation's Amended and Restated Certificate of Incorporation to increase the total number of shares of Common Stock that the company has the authority to issue from 25,000,000 shares to 50,000,000 shares. The proposed amendment was approved with 13,216,286 votes cast in favor of such amendment, 283,112 votes cast against such amendment and 4,375 abstentions.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. Market for Common Stock

Our common stock is traded on the NASDAQ National Market under the symbol "WCAA." As of March 1, 2006, there were approximately 104 holders of record of our common stock. This number does not include any beneficial owners for whom shares of common stock may be held in "nominee" or "street" name. The following table sets forth the range of high and low closing sales prices per share for our common stock as reported by NASDAQ for the periods indicated.

	High	Low
2005		
First Quarter	\$10.50	\$9.08
Second Quarter	\$ 9.79	\$8.53
Third Quarter	\$ 8.79	\$7.90
Fourth Quarter	\$ 8.89	\$7.34
2006	-	
First Quarter (through March 7, 2006)	\$ 7.90	\$6.90
Dividend Policy		

We have never declared or paid any cash dividends on our common stock and do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, to finance the development and expansion of our business and for general corporate purposes. Furthermore, our credit facility prohibits payment of cash dividends or other payments or advances by our primary operating subsidiary to us (or any intermediary) under all circumstances, meaning we have very limited sources of cash. Our only source of cash to pay dividends to our stockholders would be distributions or other payments or advances from our subsidiaries, which as discussed above, is prohibited by the terms of our credit facility. Any future dividends declared would be subject to a relaxation of this prohibition, would be at the discretion of our board of directors and would depend on our financial condition, results of operations, capital requirements, contractual obligations, the other terms of our credit facility and other financing agreements at the time a dividend is considered, and other relevant factors.

Item 6. Selected Financial Data.

The following table sets forth certain selected historical consolidated financial data derived from our consolidated financial statements included elsewhere in this report. The information set forth below should be read in connection with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report. The following information may not be indicative of our future operating results.

notes included elsewhere in this report. The following	g information ma		Year Ended Decembe		ma.
	2005	2004_	2003	2002	2001
	and the second of the second	(In th	ousands except per sh	are data)	
Consolidated Statements of Operations Data: Revenue	\$ 114,143	\$ 73,461	\$ 64,226	\$ 62,162	\$ 57,721
Expenses:	5 114,143	\$ 73,401	\$ 04,220	\$ 02,102	\$ 31,721
Cost of services (1),(2)	73,933	50,387	41,666	38,336	35,841
Depreciation and amortization	14,795	8,828	7,812	6,229	6,684
General and administrative:	1 77 7 7 4 2		.,		-77
Stock-based compensation (3)	509	11,532	1,220		
Other general and administrative	7,802	4,751	3,922	4,432	4,135
Total expenses	97,039	75,498	54,620	48,997	46,660
Operating income (loss)	17,104	(2,037)	9,606	13,165	11,061
Other income (expense):					
Interest expense, net (2)	(10,366)	(4,453)	(5,220)	(6,979)	(10,153)
Write-off of deferred financing costs and debt					
discount (4)	(1,308)	(618)		(2,487)	
Other income (expense), net	286	. 268	28		(53)
Other income (expense)	(11,388)	(4,803)	(5,192)	(9,446)	(10,206)
Income (loss) from continuing operations before		$\mathcal{F}_{\mathcal{F}}}}}}}}}}$	•	+ + + + + + + + + + + + + + + + + + +	•
income taxes and cumulative effect of change		(6.040)	4.414	2.710	, 055
in accounting principle Income tax (provision) benefit	5,716 (2,248)	(6,840) 2,476	4,414 (1,753)	3,719	(350)
	(2,240)	2,470	· (1,733)	(1,727)	(359)
Income (loss) from continuing operations before cumulative effect of change in accounting	! .	.** **			
principle	3,468	(4,364)	2,661	1,992	496
Discontinued operations, net of tax		(1,501)	93	(816)	(201)
Income (loss) before cumulative effect of change					
in accounting principle	3,468	(4,364)	2,754	1,176	295
Cumulative effect of change in accounting	The second second		and the second section of the section of	,	
principle, net of tax (5)			2,324		(721)
Net income (loss)	\$ 3,468	\$ (4,364)	\$ 5,078	\$ 1,176	\$ (426)
Per Share Data — basic and diluted:			,		
Income (loss) from continuing operations before			•		
cumulative effect of change in accounting					
principle	\$ 0.22	\$_(0.38)	\$ 0.33	\$ 0.25	\$ 0.06
Discontinued operations, net of tax	<u> </u>		0.01	(0.10)	(0.02)
Income (loss) before cumulative effect of change		(0.70)		^ -	2.24
in accounting principle	0.22	(0.38)	0.34	0.15	0.04
Cumulative effect of change in accounting principle net of tax			0.70		(0.09)
Net income (loss)	\$ 0.22	\$ (0.38)	\$ 0.63	\$ 0.15	\$ (0.05)
Net income (loss)	5 0.22	\$ (0.38)	\$ 0.03	5 0.13	<u>\$ (0.03)</u>
Weighted average shares outstanding — basic	15,579	11,599	8,000	8,000	8,000
Weighted average shares outstanding — basic Weighted average shares outstanding — diluted	15,641	11,599	8,000	8,000	8,000
Other Financial Data:	10,011	***************************************	0,000		0,000
Capital expenditures	\$ 18,003	\$ 14,589	\$ 7,721	\$ 9,886	\$ 8,066
· · · · · · · · · · · · · · · · · · ·	,	7 - 1,- 71	As of December 31,	.,	,
	2005	2004	2003	2002	2001
	COLUMN SECTION DECIDION DE LA COLUMN DE LA C		(In thousands)		
Consolidated Balance Sheet Data:	£ 106 000	e 00.501	e 70.707	\$ 67,555	♦ ∠A 1 A™
Property and equipment, net Total assets	\$ 186,299	\$ 90,521	\$ 70,726 116,685	\$ 67,555 122,668	\$ 64,147 116,681
Current maturities of long-term debt	291,538 1,910	163,767 1,429	4,004	3,602	6,749
Long-term debt, less current maturities and	1,710	1,760	7,007	3,002	0,779
discount	174,353	71,814	78,696	78,466	68,908
Total stockholders' equity	91,707	74,573	18,567	17,734	19,259
• • •			•	•	•

⁽¹⁾ We acquired prepaid disposal rights in connection with our acquisition of assets from Waste Management, Inc. in 2000. In addition, we paid \$1 million to acquire prepaid disposal rights from Waste Services, Inc. in 2005. During the years ended December 31, 2005, 2004, 2003, 2002 and 2001, we recorded \$1,834, \$377, \$302, \$97

and \$61, respectively, for the use of such disposal rights as a non-cash component of cost of services. Please read note 3 to our consolidated financial statements. Prior to August 2003, we utilized the prepaid disposal rights in our west Texas operations, which we sold during 2003 and are reflected as discontinued operations. In the future, we will use these prepaid disposal rights for our continuing operations. During the years ended December 31, 2003, 2002 and 2001, we utilized \$1,307, \$1,902 and \$2,011, respectively, of prepaid disposal rights in discontinued operations.

- (2) We have material financial commitments for the costs associated with our future obligations for final closure and post-closure maintenance of the landfills we own and operate. During the years ended December 31, 2005, 2004, 2003, 2002 and 2001, we have recorded \$159, \$257, \$207, \$146 and \$111, respectively, as a non-cash component of cost of services and \$0, \$0, \$0, \$107 and \$339, respectively, as a non-cash component of interest expense for the provision and accretion expense relating to these future obligations. Although these are non-cash expenses for the periods presented, the ultimate liability will be settled in cash. Please read note 1 to our consolidated financial statements for further discussion of landfill accounting and the adoption of SFAS No. 143 "Accounting for Asset Retirement Obligations."
- (3) The stock-based compensation expense during the year ended December 31, 2005 relates to earned compensation under the Amended and Restated 2004 WCA Waste Corporation Incentive Plan. The stock-based compensation expense during the years ended December 31, 2004 and 2003 represents a compensation charge in connection with stock options outstanding as of December 31, 2003. Prior to the internal reorganization in 2004, Waste Corporation of America had options and warrants outstanding. As part of the internal reorganization, we assumed the obligation to issue shares upon the exercise of such options and warrants. Subsequently, we extinguished approximately 90% of such outstanding stock options and warrants by issuing 1,330,056 shares (after giving effect to a merger and reverse stock split prior to our initial public offering in June 2004) of our common stock. We recognized a compensation charge of \$11.5 million in connection with the cancellation of these options and warrants and subsequent issuance of common stock in 2004.
- (4) The \$1,308 write-off of deferred financing costs and debt discount in 2005 is associated with the restructuring of our credit facility in April 2005 as well as the repayment of the Environmental Facilities Revenue Bonds in June 2005. In December 2004, we wrote off \$618 of deferred financing costs related to the amendment of our credit facility. We also wrote off \$2,008 of deferred financing costs and \$479 of debt discount due to the early repayment of the term loan of the credit facility in 2002.
- (5) The \$721 (net of \$442 tax benefit) cumulative effect of change in accounting principle for the year ended December 31, 2001 is due to the adoption of SFAS No. 133 "Accounting for Derivative Instruments and Certain Hedging Activities" relating to interest rate swap agreements in place at that time. The \$2,324 (net of \$1,425 tax expense) cumulative effect of change in accounting principle for the year ended December 31, 2003 relates to our adoption of SFAS No. 143 "Accounting for Asset Retirement Obligations."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read together with the historical consolidated financial statements and the related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. For additional information regarding some of the risks and uncertainties that affect our business and the industry in which we operate, please read "Business—Risk Factors" included elsewhere in this report and "—Cautionary Statement About Forward-Looking Statements" below.

Executive Overview

General Overview of Our Business

Revenues. Our operations consist of the collection, transfer, processing and disposal of non-hazardous construction and demolition debris and industrial and municipal solid waste. Our revenues are generated primarily from our collection operations to residential, commercial and roll-off customers and landfill disposal services. Roll-off service is the hauling and disposal of large waste containers (typically between 10 and 50 cubic yards) that are loaded onto and off of the collection vehicle. The following table reflects our total revenue by source for the previous three years (dollars in thousands):

	2005	, al to fit are	20	004	20	03
	\$	%	\$		\$	%
Collection:			anytheligger and the state of t		errorrorror (1784), escriberalle la monalità in consensibilità in	السد سحوت الماسيدي
Residential	\$ 19,128	16.8%	\$ 12,615	17.2%	\$ 11,272	17.5%
Commercial	13,847	12.1%	12,002	16.3%	12,056	18.8%
Roll-off	36,811	32.2%	22,878	31.2%	18,175	28.3%
Other	page 1	_%	586	0.8%	258	0.4%
Total collection	69,786	61.1%	48,081	65.5%	41,761	65.0%
Disposal	48,817		30,536	and the second s	28,460	and the second s
Less intercompany	18,215	Land the second	9,789		<u>7,413</u>	
Disposal, net	30,602	26.8%	20,747	28.2%	21,047	32.8%
Transfer and other	24,309	the state of the s	11,575		7,934	
Less intercompany	10,554		6,942		6,516	
Transfer and other, net	13,755	12.1%	4,633	6.3%	1,418	2.2%
· Total revenue	\$114,143	100.0%	\$ 73,461	100.0%	\$ 64,226	100.0%

2005 Financial Objectives

The following 2005 financial objectives were established in March 2005:

- Revenue in excess of \$110 million (a 50% increase over 2004 reported revenues);
- Adjusted EBITDA, which is a non-GAAP financial measure, in excess of \$27 million (a 50% increase over 2004);
- "Run rate" revenue from operations acquired in 2005 to be approximately \$50 million;
- Net income to be in the range of \$0.38 to \$0.40 per share, depending on the timing of acquisitions and the form of any capital and related charges that we might obtain to fund acquisitions; and
- 2005 year-end "run rates" of revenue and Adjusted EBITDA, to be more than two times similar measures for the year ended December 31, 2003 (which were representative of our "run rates" at the time of our initial public offering).

2005 Business Performance

During 2005, our revenues were \$114.1 million, which represents a 55.4% increase over 2004. Adjusted EBITDA for the year was \$32.2 million, an increase of 73.1% over 2004. "Run rate" revenue from acquired businesses during 2005 was \$40 million. In addition to the \$40 million generated from newly acquired businesses, revenue from existing operations grew by approximately \$9 million or 11.9% as a result of price and volume increases over 2004. Certain locations implemented price increases throughout 2005 and therefore the effect is expected to carryover into 2006. Net income per share was \$0.22. This shortfall was largely the result of higher than anticipated borrowing costs under our credit facilities. Underlying LIBOR interest rates rose from 2.44% to 4.45% and our average borrowing costs increased from 4.56% to 7.90%. Had interest rates remained at the levels in effect at the beginning of 2005, earnings per share would have been \$0.34. In order to better manage changes in interest rates, in November 2005, we entered into a swap arrangement with our primary lender as intermediary to exchange \$150 million of our floating rate debt for fixed-rate debt. The underlying base rate is now 4.885% plus the applicable margin which was 3.0% at December 31, 2005. Our net income also included a charge of \$0.9 million (net of tax provision) (or \$0.06 per share on 15.6 million fully diluted shares) for the write-off of deferred financing costs and debt discount due to the restructuring of our credit facility. Excluding the effects of the interest rate increase and the write-off of deferred financing costs and debt discount, our earnings per share would have been \$0.40. Our "run rate" revenue at December 31, 2005 was \$139 million or 2.2 times of our 2003 "run rate" revenue of \$64.2 million. Our "run rate" EBITDA at December 31, 2005 was \$39 million or 2.1 times of our 2003 "run rate" EBITDA of \$18.6 million.

We have been able to maintain our operating margins throughout the period of growth. Our adjusted operating profit margins were 15.0% in 2005, 12.9% in 2004 and were 16.9% in 2003. We believe our operating margins are among the highest in the industry. Our operating margins are high in part because of the proportionally high number of landfills we have and the amount of waste we internalize into those landfills. We internalized approximately 78% of the waste we collected in both 2005 and 2004.

2006 Financial Objectives

Our 2006 expectations, not including the impact of acquisitions, are as follows:

- Revenue in excess of \$140 million (a 23% increase over 2005 reported revenues);
- Operating income in excess of \$21 million (a 24% increase over 2005); and
- EBITDA in excess of \$40 million (a 25% increase over 2005).

Please note that these financial objectives are all forward looking statements that involve risks, uncertainties and assumptions. For additional information regarding some of the risks and uncertainties that affect our business and the industry in which we operate, please read "Business—Risk Factors" and "—Cautionary Statement About Forward-Looking Statements" included elsewhere in this report. In addition, as we have previously reported, we intend to review price increase opportunities to recover cost increases and improve operating margins. As we have in the past, we also will look for opportunities to improve operating margins by reducing operating costs. Those opportunities may involve a variety of initiatives, including improvements to systems and programs and evaluation of location specific operating results. As we discuss in "—Liquidity and Capital Resources—Cash Flows" below, we expect capital expenditures related to our existing operations for 2006 to be approximately 12% of our revenue, which would include expenditures for vehicles, heavy equipment, containers, landfill cell development, and certain systems and program improvements.

Non-GAAP measures. Our management evaluates our performance based on non-GAAP measures, of which the primary performance measure is EBITDA. EBITDA consists of earnings (net income) before interest expense (including the write-off of deferred financing costs and debt discount), income tax expense, depreciation and amortization. We also compute EBITDA before the cumulative effect of change in accounting principle and before

considering the effect of discontinued operations as the effect of these items is not relevant to our ongoing operations. We also use these same measures when evaluating potential acquisition candidates.

We believe EBITDA is useful to an investor in evaluating our operating performance because:

- it is widely used by investors in our industry to measure a company's operating performance without regard to items such as interest expense, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, financing methods, capital structure and the method by which assets were acquired;
- it helps investors more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization of our assets) from our operating results; and
- it helps investors identify items that are within operational control. Depreciation charges, while a component of operating income, are fixed at the time of the asset purchase in accordance with the depreciable lives of the related asset and as such are not a directly controllable period operating charge.

Our management uses EBITDA:

- as a measure of operating performance because it assists us in comparing our performance on a consistent basis as it removes the impact of our capital structure and asset base from our operating results;
- as one method we use to estimate a purchase price (often expressed as a multiple of EBITDA) for solid waste companies we intend to acquire. The appropriate EBITDA multiple will vary from acquisition to acquisition depending on factors such as the size of the operation, the type of operation, the strategic location of the operation in its market as well as other considerations;
- in presentations to our board of directors to enable them to have the same consistent measurement basis of operating performance used by management;
- as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations;
- in evaluations of field operations since it represents operational performance and takes into account financial measures within the control of the field operating units;
- · as a component of incentive cash bonuses paid to our executive officers and other employees;
- · to assess compliance with financial ratios and covenants included in our credit facility, and
- in communications with investors, lenders, and others, concerning our financial performance. The following presents a reconciliation of the total EBITDA to net income (loss) (in thousands):

		•			
	$A_{ij} = \{ i, j \in \mathcal{A}_i : i \in \mathcal{A}_j : i \in \mathcal{A}_j \}$		2005_	2004	2003
Total EBITDA			\$ 32,185	7,059	17,446
Depreciation and amortization			(14,795)	(8,828)	(7,812)
Interest expense, net		1	(10,366)	(4,453)	(5,220)
Write-off of deferred financing costs and d	ebt discount (an a	dditional interest	t t		
charge)			(1,308)	(618)	
Income tax benefit (expense)	- 81 mm - 2 -		(2,248)	2,476	(1,753)
Income (loss) from continuing operation	ons before cumula	tive effect of change	in	•	
accounting principle			3,468	(4,364)	2,661
i .			4		
•		20			

2005	2004	2003
Loss from discontinued operations, net of tax		(156)
Gain on disposal of discontinued operations, net of tax		249
Income (loss) before cumulative effect of change in accounting principle 3,468	(4,364)	2,754
Cumulative effect of change in accounting principle, net of tax		2,324
Net income (loss) \$ 3,468	(4,364)	5,078

In considering EBITDA results, our management also takes various adjustments (especially for non-operational expenses) into account in evaluating performance in order to provide it with what it believes to be a better view of ongoing operational performance. Thus, for example, in our evaluations we exclude the stock-based compensation charge of \$11.5 million (\$7.5 million net of tax benefit) incurred during 2004 as these are non-cash charges related to our former parent company's outstanding stock option plan. We do not exclude stock-based compensation expense related to our restricted share plan as it is a recurring expense. We make similar adjustments in evaluating acquisition candidates for non-recurring items. The following presents a reconciliation of EBITDA to Adjusted EBITDA (in thousands):

		3.7	T.
	2005_	2004	2003
Total EBITDA, per above	\$ 32,185	7,059	17,446
Stock-based compensation expense		_11,532	1,220
Adjusted EBITDA	\$32,185	18,591	18,666

Our EBITDA and Adjusted EBITDA, as we define them, may not be comparable to similarly titled measures employed by other companies and are not a measure of performance calculated in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered in isolation or as substitutes for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

Other considerations. Costs of services include, but are not limited to, labor, fuel and other vehicle operating expenses, equipment maintenance, disposal fees paid to third-party disposal facilities, insurance premiums and claims expense, third-party transportation expense and state waste taxes. The frequency and amount of claims or incidents could vary significantly from quarter to quarter and/or year to year, resulting in increased volatility of our costs of services.

General and administrative expenses include the salaries and benefits of our corporate management, certain centralized reporting, information technology and cash management costs and other overhead costs associated with our corporate office.

Depreciation and amortization expense includes depreciation of fixed assets over their estimated useful lives using the straight-line method and amortization of landfill costs and asset retirement costs based on the consumption of airspace.

We capitalize third-party expenditures related to pending acquisitions, such as legal, engineering, and accounting expenses, and certain direct expenditures such as travel costs. We expense indirect acquisition costs, such as salaries, commissions and other corporate services, as we incur them. We routinely evaluate all capitalized costs, and expense those related to projects that we believe are not likely to succeed. As of December 31, 2005, we had \$0.3 million of capitalized costs relating to pending acquisitions.

The integration expenses associated with our acquisitions include expenses related to: (i) incorporating new truck fleets into our preventative maintenance program, (ii) the testing of new employees to comply with Department of Transportation regulations, (iii) implementing our safety program, (iv) re-routing trucks and equipment, and (v) conversion of customers to our billing system. In the short-term, as expected, the cost of acquiring and integrating companies will continue to put pressure on operating results. While some synergies from tuck-in acquisitions can take as long as twelve months to be realized, we have integrated all of our completed acquisitions to date into our existing operations.

Goodwill represents the excess of the purchase price over the fair value of the net assets of the acquired entities. In allocating the purchase price of an acquired company among its assets, we first assign value to the tangible assets, followed by intangible assets such as covenants not-to-compete and any remaining amounts are then allocated to goodwill.

Acquisition Strategy Overview

As we discussed in "Business— Our Acquisition Growth Strategy" our acquisition strategy will target operations that will benefit from our core operating strategy of maximizing the internalization of waste. In markets where we already own a landfill, we intend to focus on expanding our presence by tuck-in acquisitions. Tuck-in acquisitions will allow growth in revenue and increase market share and enable integration and consolidation of duplicative facilities and functions to maximize cost efficiencies and economies-of-scale. We will typically seek to enter a new market by acquiring a permitted landfill operation in that market. Upon acquiring a landfill in a new market, we then expand our operations to collection services by acquiring collection operations in the new market and internalizing the waste into our landfill.

We intend to pursue our acquisition strategy primarily with cash, including borrowings under our combined credit facility entered. We may also issue shares of common stock in connection with acquisitions.

Since completing our initial public offering in June 2004 through the year ended December 31, 2005, we have completed 17 acquisitions. The purchase price for these acquisitions consisted of \$125.0 million of cash, \$4.5 million of convertible debt, \$6.6 million of assumed debt (net of \$0.4 million of debt discount), \$5.6 million of assumed deferred tax liabilities and 1,737,852 shares of our common stock. We completed 10 acquisitions during the year ended December 31, 2005. Total consideration for these 10 acquisitions was approximately \$119.1 million, including \$92.0 million in cash, \$1.5 million in convertible debt, \$6.6 million in debt assumed, net of discount, \$5.6 million in deferred tax liabilities assumed and \$13.4 million in common stock.

Contemporaneously with one acquisition, certain individuals affiliated with the seller purchased \$2.5 million in convertible debt. Information concerning our acquisitions may be found in our previously filed periodic and current reports and in note 3 to our consolidated financial statements.

The following sets forth additional information regarding the acquisitions since our initial public offering:

Company	Location	Completion Date	Operations		
Texas Environmental Waste	Houston, TX	July 13, 2004	Collection		
Ashley Trash Service	Springfield, MO	August 17, 2004	Collection		
Power Waste	Birmingham, AL	August 31, 2004	Collection		
Blount Recycling	Birmingham, AL	September 3, 2004	Collection, Landfill & Transfer Station		
Translift, Inc.	Little Rock, AR	September 17, 2004	Collection		
Rural Disposal, Inc.	Willow Springs, MO	November 12, 2004	Collection		
Trash Away, Inc.	Piedmont, SC	November 30, 2004	Collection & Transfer Station		
Gecko Investments (Eagle Ridge)	St. Louis, MO	January 11, 2005	Collection & Landfill		
MRR Southern, LLC	High Point/Raleigh, NC	April 1, 2005	Landfill, Transfer Station & MRF		
Triangle Environmental	Raleigh, NC	May 16, 2005	Collection		
Foster Ferguson	El Dorado Springs, MO	May 16, 2005	Collection		
Triad Waste	High Point, NC	May 31, 2005	Collection		
Proper Disposal	Chanute, KS	May 31, 2005	Collection		
Fort Meade Landfill	Ft. Meade, FL	October 3, 2005	Landfill		
Meyer & Gabbert	Sarasota/Arcadia, FL	October 3, 2005	Collection, Landfill & Transfer Station		
Pendergrass Refuse	Springfield, MO	October 4, 2005	Collection		
Andy's Hauling	Sarasota, FL	October 21, 2005	Collection		

After giving effect to these acquisitions, at December 31, 2005, we owned and/or operated a total of 19 landfills, 23 collection operations and 21 transfer stations/MRFs, had approximately 277 routes and handled approximately 9,200 landfill tons per day at our landfills.

on February 10, 2006, we acquired Transit Waste LLC from Waste Corporation of America LLC, which was previously part of our corporate group and with which we still maintain certain other relationships. This transaction included the acquisition of one MSW landfill and a collection operation. The landfill is located in Durango, Colorado and the collection company is located in Bloomfield, New Mexico. This acquisition allows us to expand our operations into the Colorado and New Mexico markets. Together with the acquisition of Transit Waste, we have made 18 acquisitions totaling \$62.5 million in estimated annual "run rate" revenue since completing our initial public offering in June 2004, and own and/or operate 20 landfills, 24 collection operations and 21 transfer stations/ MRFs.

For a description of our accounting for acquisitions and acquisition-related expenses, please read notes 1 and 3 to the financial statements. After an acquisition is completed we incur integration expenses related to (i) incorporating new truck fleets into our preventative maintenance program, (ii) the testing of new employees to comply with Department of Transportation regulations, (iii) implementing our safety program, (iv) re-routing trucks and equipment, and (v) conversion of customers to our billing system. We generally expect that the costs of acquiring and integrating an acquired business will be incurred primarily during the first 12 months after acquisition. Synergies from tuck-in acquisitions can also take as long as 12 months to be realized.

Results of Operations

The following table sets forth items in our consolidated statement of operations in thousands and as a percentage of revenues for the years ended December 31, 2005, 2004 and 2003:

	·	Years Ended December 31,				
	2005	0/	2004		2003	
Povroman	\$ · · · · · · · · · · · · · · · · · · ·	<u>%</u>	\$ 72 AC1	100 0	\$	<u>%</u>
Revenue	\$ 114,143	100.0	\$ 73,461	100.0	\$ 64,226	100.0
Cost of services	73,933	64.8	50,387	68.6	41,666	64.8
Depreciation and amortization	14,795	13.0	8,828	12.0	7,812	12.2
General and administrative	7,802	6.8	4,751	6.5	3,922	6.1
Stock-based compensation				The second secon	•	
charge	509	0.4	11,532	15.7	1,220	1.9
Operating income (loss)	17,104	15.0	(2,037)	(2.8)	9,606	15.0
Interest expense, net	(10,366)	(9.1)	(4,453)	(6.1)	(5,220)	(8.1
Write-off of deferred financing costs and debt					·	
discount	(1,308)	(1.1)	(618)	(0.8)	- 17	· · ·
Other income, net	286	0.2	268	0.4	28	0.0
Income tax (provision) benefit	(2,248)	(2.0)	2,476	3.4	(1,753)	(2.7
Income (loss) from			et com	e e e e e e e e e e de la composition della co		
continuing operations					• •	
before cumulative						*
effect of change in	•	4		•		
accounting principle	3,468	3.0	(4,364)	(5.9)	2,661	4.2
Loss from discontinued						
operations, net of tax	S	a a s		· 	(156)	(0.3)
Gain on disposal of discontinued operations,						
net of tax					249	0.4
Cumulative effect of change in accounting principle, net	a to the man management and the common of	and the stand of the high special and the actions of	e gant may something of the anti-			
of tax					2,324	3.6
Net income (loss)	\$ 3,468	3.0	\$ (4,364)	(5.9)	\$ 5,078	7.9

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenue. Total revenue for the year ended December 31, 2005 increased by 55.4%, to \$114.1 million from \$73.5 million for the year ended December 31, 2004. Acquisitions contributed \$32.0 million of the increase while internal volume growth contributed \$3.0 million, operational price increases contributed \$3.7 million, and pricing from fuel surcharges achieved the remaining increases.

Cost of services. Total cost of services for the year ended December 31, 2005 increased \$23.5 million, or 46.7%, to \$73.9 million from \$50.4 million for the year ended December 31, 2004. Acquisitions and integration costs accounted for a majority of the increased cost of services. While cost of services increased in total, they have decreased to 64.8% of revenue from 68.6% last year. This decrease can be attributed to decreases in insurance costs associated with improved claim history. Further reductions in operating costs as a percentage of revenue were achieved related to certain licenses and fees, landfill site expenses and field administrative costs which are

semi-fixed and do not increase proportional with revenue. These improvements were partially offset by fuel costs that increased as a percentage of revenue from 4.9% for the year ended December 31, 2004 to 6.5% for the year ended December 31, 2005.

Depreciation and amortization. Depreciation and amortization expenses for the year ended December 31, 2005 increased \$6.0 million, or 67.6%, to \$14.8 million from \$8.8 million for the year ended December 31, 2004. These increases can be attributed to acquisitions and increased amortization corresponding with increased landfill volumes.

General and administrative. Total general and administrative expense increased \$3.1 million, or 64.2%, to \$7.8 million for the year ended December 31, 2005 from \$4.7 million for the year ended December 31, 2004. The increase is primarily attributable to increased administrative costs associated with being a public company, including legal, accounting, compliance with the Sarbanes-Oxley Act of 2002, printing, travel, insurance and other costs, including costs associated with our ongoing acquisition program.

Stock-based compensation charge. We recognized a compensation charge of \$11.5 million during the year ended December 31, 2004. Prior to our internal reorganization, our former parent, Waste Corporation of America, had options and warrants outstanding. As part of the internal reorganization, we assumed the obligation to issue shares upon the exercise of such options and warrants. Subsequently, we extinguished approximately 90% of such outstanding stock options and warrants by issuing 1,330,056 shares (after giving effect to a merger and reverse stock split prior to our initial public offering in June 2004) of our common stock. This restructuring led to the \$11.5 million compensation charge prior to our initial public offering that occurred in June 2004 based on the estimated fair value of the stock issued in cancellation of the options and warrants. The stock-based compensation expense during the year ended December 31, 2005 relates to earned compensation from restricted stock grants under the Amended and Restated 2004 WCA Waste Corporation Incentive Plan.

Interest expense, net. Interest expense, net for the year ended December 31, 2005 increased \$5.9 million, or 132.8%, to \$10.4 million from \$4.5 million for the year ended December 31, 2004. As a percentage of revenue, interest expense increased to 9.1% for the year ended December 31, 2005 from 6.4% for the year ended December 31, 2004. The increase relates to the higher average interest rate, the higher average debt balance outstanding as a result of additional borrowings under our credit facilities as well as seller notes issued and debt assumed in connection with acquisitions. Our average borrowing costs went from 4.56% at the end of 2004 to 7.90% at the end of 2005.

Write-off of deferred financing costs and debt discount. The \$1.3 million write-off of deferred financing costs and debt discount incurred during 2005 is associated with the restructuring of our credit facility in April 2005 as well as the repayment of the Environmental Facilities Revenue Bonds in June 2005. The \$0.6 million write-off of deferred financing costs for 2004 is associated with the amendment of our credit facility in December 2004

Income tax (provision) benefit. Income tax (provision) benefit in the year ended December 31, 2005 as a percentage of pre-tax income (loss) was 39.3% as compared to 36.2% for the year ended December 31, 2004. The rate in the prior year reflects the lower tax benefit applied to the \$11.5 million stock-based compensation charge, as well as the impact of non-deductible expenses reducing our net loss for tax purposes.

Net income (loss). We had net income of \$3.5 million for the year ended December 31, 2005 as compared to net loss of \$4.4 million for the year ended December 31, 2004. The increase is primarily caused by the \$11.5 million non-cash compensation charge in 2004, net of a \$4.0 million tax benefit.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenue. Total revenue for the year ended December 31, 2004 increased by 14.4% to \$73.5 million from \$64.2 million for the year ended December 31, 2003. Acquisitions completed in the third and fourth quarters of 2004 contributed \$5.7 million (8.9%) of the increase while volume increases resulted in an increase of \$3.0 million (4.7%), and price increases contributed \$0.5 million (0.8%). Non-acquisition related volume increases were a

result of the opening of two transfer stations in 2004 as well as other internal growth. Revenue segmentation (before elimination of intercompany revenue) for the year ended December 31, 2004 was 53.3 % collection operations, 33.9% disposal, 12.3% transfer and 0.5% recycling.

Cost of services. Total cost of services for the year ended December 31, 2004 increased \$8.7 million, or 21%, to \$50.4 million from \$41.7 million for the year ended December 31, 2003. Operating cost increases reflect a variety of factors. Thus, our costs reflect, in part, the impact of recent acquisitions and other volume related growth. As previously discussed, we expect to incur higher costs while we acquire and integrate new operations.

Increases in fuel costs contributed to the cost increases as well. Diesel fuel costs as a percentage of revenue increased from 4.1% for the year ended December 31, 2003 to 4.9% for the year ended December 31, 2004. A sampling of our markets indicates that our average fuel cost per gallon increased approximately 40% from January 2004 to December 2004. The increase in costs could not be fully covered by fuel surcharges as evidenced by the fact that fourth quarter 2004 fuel surcharges covered approximately 50% of increased costs. Through a combination of price increases and fuel surcharges, we expect to begin to recover an additional portion of fuel cost increases by July 2005.

Additionally, we spent approximately \$0.6 million to redirect waste from our Central Missouri landfill through one of our transfer stations to our Black Oak landfill. This waste was redirected temporarily while the expanded area of the Central Missouri landfill was being constructed. The construction of this expansion was completed in January 2005.

Depreciation and amortization. Depreciation and amortization expenses for the year ended December 31, 2004 increased \$1.0 million, or 13%, to \$8.8 million from \$7.8 million for the year ended December 31, 2003. Depreciation as a percentage of revenue remained stable at approximately 12%. The increase was primarily associated with acquisitions during 2004 as well as the commencement of two new transfer station operations during the first quarter of 2004.

General and administrative. Total general and administrative expense for the year ended December 31, 2004 increased \$0.8 million, or 21%, to \$4.7 million from \$3.9 million for the year ended December 31, 2003. The increase is primarily attributable to increased costs including the incremental overhead required to comply with public company reporting responsibilities as well as additional overhead incurred in support of our acquisition program.

Stock-based compensation charge. We recognized a compensation charge of \$11.5 million for the year ended December 31, 2004. Prior to our internal reorganization, our former parent, Waste Corporation of America, had options and warrants outstanding. As part of the internal reorganization, we assumed the obligation to issue shares upon the exercise of such options and warrants. Subsequently, we extinguished approximately 90% of such outstanding stock options and warrants by issuing 1,330,056 shares (after giving effect to a merger and reverse stock split prior to our initial public offering in June 2004) of our common stock. This restructuring led to the \$11.5 million compensation charge prior to our initial public offering that occurred in June 2004 based on the estimated fair value of the stock issued in cancellation of the options and warrants.

Interest expense, net. Interest expense, net decreased by \$0.8 million in the year ended December 31, 2004 as compared to the year ended December 31, 2003. The reduction relates to the lower average debt balance resulting from the repayment of a portion of our outstanding debt with the proceeds of the initial public offering.

Write-off of deferred financing costs. The \$0.6 million write-off of deferred financing costs is associated with the amendment of our credit facility in December 2004.

Other income, net. Other income, net for the year ended December 31, 2004 reflects primarily the gains on the disposition of fixed assets and the gain associated with the sale of certain rural routes in Missouri.

Income tax (provision) benefit: Income tax (provision) benefit in the year ended December 31, 2004 as a percentage of pre-tax income (loss) was 36.2% as compared to 39.7% for the year ended December 31, 2003. The decrease in the current year rate relates to the lower tax benefit applied to the stock-based compensation charge in the second quarter of 2004, as well as the impact of non-deductible expenses reducing our net loss for tax purposes and the recognition of certain state tax benefits on current year losses as we project future taxable income in these states due to the completion of acquisitions.

Cumulative effect of change in accounting principle, net of tax. The cumulative effect of change in accounting principle, net of tax for the period ended December 31, 2003 is due to the adoption of SFAS No. 143, effective January 1, 2003, which resulted in a \$2.3 million benefit, net of a \$1.4 million tax expense.

Net income (loss). We had net loss of \$4.4 million for the year ended December 31, 2004 as compared to net income of \$5.1 million for the year ended December 31, 2003. The decrease is primarily a result of the \$11.5 million non-cash compensation charge discussed above, net of a \$4.0 million tax benefit and the \$2.3 million benefit in 2003 from the adoption of SFAS No. 143. Liquidity and Capital Resources

Our business and industry is capital intensive, requiring capital for equipment purchases, landfill construction and development, and landfill closure activities in the future. Our planned acquisition strategy also requires significant capital. We plan to meet our future capital needs primarily through cash on hand, cash flow from operations and borrowing capacity under our credit facility. We plan to meet the capital requirements of our acquisition strategy from a variety of sources including cash on hand, borrowing capacity under our credit facilities, seller notes, equity issuances and debt financings. We expect these sources will be adequate to fund our future capital needs and acquisition strategy for the foreseeable future.

As of December 31, 2005, we had total outstanding long-term debt of approximately \$176.6 million, consisting primarily of approximately \$162.0 million outstanding under our credit facilities, and approximately \$7.4 million of various seller notes and \$7.0 million of assumed debt associated with acquisitions. This represented an increase of \$103.3 million over our total debt outstanding as of December 31, 2004. The increase in outstanding debt since December 31, 2004 was due primarily to amounts paid in connection with acquisitions. Additionally, subsequent to December 31, 2005, in connection with the completion of our Transit Waste acquisition, we assumed \$5.2 million of debt, \$1.3 million of which was repaid on February 23, 2006. Effective November 1, 2005, we entered into an interest rate swap agreement whereby we exchanged \$150 million of our floating rate debt for five-year fixed-rate debt. As a result of this agreement, the LIBOR component of our interest rate will be 4.885% on the first \$150 million of our borrowings for the remainder of the term of the swap agreement.

As of December 31, 2005, we had a working capital surplus of \$6.7 million that improved \$8.2 million from a working capital deficit of \$1.5 million as of December 31, 2004. The improvement can be attributed to the restructuring and funding of the credit facilities in April 2005 as well as timing differences in collection of receivables and payments of current liabilities. Our First Lien Credit Agreement (as described below) includes a "swing-line" feature, which monitors cash requirements or excesses on a daily basis. After meeting current working capital and capital expenditure requirements, our cash strategy is to use the available swing-line feature of our First Lien Credit Agreement to maintain a minimum cash and cash equivalents balance and use excess cash to reduce our indebtedness under the First Lien Credit Agreement.

In December 2005 we exercised the accordion option on our credit facility and increased the capacity of our revolving line of credit by \$25.0 million. As of December 31, 2005, we had \$54.1 million in available capacity under the revolving portion of the First Lien Credit Agreement.

Tax-Exempt Bonds

On June 1, 2005, we fully repaid the \$22.2 million of outstanding Environmental Facilities Revenue Bonds with the proceeds from the Credit Agreements. In connection with the acquisition of Ft. Meade landfill in October

2005, we assumed \$6.5 million in tax-exempt Environmental Facilities Revenue Bonds. The bonds bear interest at 8.50% to 9.00% with annual installments through September 2020. The weighted average rate as of December 31; 2005 was 8.94%. Subsequent to December 31, 2005, we assumed an additional \$3.0 million of tax-exempt Environmental Facilities Revenue Bonds as part of the debt assumed in the Transit Waste acquisition.

Credit Facility

On April 28, 2005 (the "Closing Date"), WCA Waste Systems, Inc. ("WSI"), our primary operating subsidiary, replaced its Fourth Amended and Restated Credit Agreement, dated as of December 21, 2004 (the "Fourth Restated Credit Agreement"), by entering into a First Lien Credit Agreement (the "First Lien Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent, Comerica Bank, as syndication agent, and the lenders party thereto. On the Closing Date, WSI also entered into a Second Lien Credit Agreement (the "Second Lien Credit Agreement" and together with the First Lien Credit Agreement, the "Credit Agreements") with Wells Fargo, as administrative agent, and Ares Capital Corporation, as the lender. In connection with the closing of the Credit Agreements and the subsequent repayment of our Environmental Facilities Revenue Bonds, we incurred a charge to earnings of \$0.8 million, net of tax, related to the write-off of a portion of our deferred financing costs and debt discount during the second quarter of 2005.

The following is a summary description of the material terms of the Credit Agreements and, as such, is not complete.

The aggregate credit commitments available under the Credit Agreements total \$225 million and include:

- a \$100 million revolving credit facility under the First Lien Credit Agreement, including subfacilities for:
 - o standby letters of credit in the aggregate principal amount of up to \$30.0 million, and
 - o a swing-line feature for up to \$10.0 million for same day advances;
- a \$100 million Term B loan under the First Lien Credit Agreement (the "Term B Loan"), reducing by \$250,000 per quarter beginning June 30, 2005; and
- a \$25 million second lien term loan under the Second Lien Credit Agreement (the "Second Lien Term Loan").

 WSI must make mandatory prepayments of outstanding indebtedness under the First Lien Credit Agreement in the amount of:

 (i) 100% of the net cash proceeds received from the sale of certain assets that are not replaced;
- (ii) 50% of the net cash proceeds from the issuance of any subordinated debt to the extent that such proceeds exceed \$30 million (the terms of which must be satisfactory to Wells Fargo and a majority of the lenders):
- (iii) 50% of the net cash proceeds from the sale of any common stock of WCA Waste to the extent that such proceeds exceed \$65 million; and
- (iv) 100% of the net cash proceeds from the sale of any preferred stock or other non-common stock equity offering of WCA Waste. These payments are applied, first, to amounts owing on the Term B loan in the inverse order of maturity. WSI must make comparable paydowns on the Second Lien Credit Agreement after payment in full of the First Lien Credit Agreement.

The revolving credit loan under the First Lien Credit Agreement will mature on April 28, 2010 and the Term B Loan will mature on April 28, 2011 unless the commitments thereunder are terminated or prepaid in full at an earlier date. The Second Lien Credit Agreement will mature on October 28, 2011.

WSI's obligations under the Credit Agreements are secured by the capital stock of our subsidiaries and all tangible (including real estate) and intangible assets belonging to us and our subsidiaries. The obligations are also guaranteed by certain material subsidiaries of WCA Waste. Obligations under the Credit Agreements are recourse obligations and are subject to cancellation and/or acceleration upon the occurrence of certain events, including, among other things, a change of control (as defined in the Credit Agreements), nonpayment, breaches of representations, warranties and covenants (subject to cure periods in certain instances), bankruptcy or insolvency, defaults under other debt arrangements, failure to pay certain judgments and the occurrence of events creating material adverse effects.

Indebtedness under any base rate loans (as defined in the First Lien Credit Agreement) carries interest at the higher of (i) the effective federal funds rate (as defined in the First Lien Credit Agreement) plus 1/2 of 1% or (ii) the rate of interest from time to time announced publicly by Wells Fargo, in San Francisco, California as its prime rate, plus the applicable margin for base rate loans (ranging from 0.75% to 2.00% depending on the leverage ratio). Indebtedness under any LIBOR loans (as defined in the First Lien Credit Agreement) carries interest at a rate per year (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the administrative agent to be equal to the quotient of (a) LIBOR (as defined in the First Lien Credit Agreement) divided by (b) one minus the reserve requirement (as defined in the First Lien Credit Agreement), plus the applicable margin for LIBOR loans (ranging from 1.75% to 3.00% depending on the leverage ratio). The commitment fee payable by WSI to the administrative agent for the benefit of the lenders on the daily average unused amount of the aggregate revolving credit commitment under the First Lien Credit Agreement ranges from 0.250% to 0.500% depending on WSI's leverage ratio.

The First Lien Credit Agreement contains numerous covenants with which WSI and the subsidiaries consolidated must comply, including several financial covenants and ratios. These include a leverage test, a senior leverage test, a net worth requirement and an adjusted EBIT test. The maximum leverage ratio (the ratio of funded debt to pro forma adjusted EBITDA) under the First Lien Credit Agreement must be not more than 5.00 to 1.00 until March 31, 2007, and 4.75 to 1.00 or less thereafter. The maximum senior funded debt leverage ratio under the First Lien Credit Agreement (the ratio of funded senior debt (all funded debt other than subordinated debt) to pro forma adjusted EBITDA) must be 4.25 to 1.00 or less from the Closing Date through the quarter ending March 31, 2007, decreasing in stages to a maximum of 3.25 to 1.00 or less for the quarter ending September 30, 2008 and for all quarters thereafter. The minimum net worth (as defined in the First Lien Credit Agreement) under the First Lien Credit Agreement is 85% of net worth on June 30, 2004, plus 50% of positive net income, plus 100% of the increase to net worth from the net cash proceeds from equity offerings, in each case, since June 30, 2004.

The adjusted EBIT debt service ratio is the ratio of (i) adjusted EBIT (as defined in the First Lien Credit Agreement) for the four fiscal quarters ending on such date to (ii) (w) cash interest expense, plus (x) the current portion of capitalized leases for the following four fiscal quarters, plus (y) the current portion of principal payments of debt (as defined in the First Lien Credit Agreement) (excluding payments under the revolving credit notes under the First Lien Credit Agreement), required to be paid for the following four fiscal quarters plus (z) dividends paid by WSI to or for the benefit of WCA Waste to be used to pay the debt of WCA Waste. The required minimum adjusted EBIT debt service ratio under the First Lien Credit Agreement starts at a minimum of 1.25 to 1.00 from the Closing Date until the fiscal quarter ending September 30, 2007 and must be at least 1.50 to 1.00 at all times thereafter. The leverage ratio is measured at the level of WCA Waste and all of its subsidiaries, while the senior debt leverage ratio, Adjusted EBIT debt service ratio and all other financial ratios and tests are measured only from the level of WSI and its subsidiaries and exclude WCA Waste and other entities above WSI.

Under the First Lien Credit Agreement, there is no limit for acquisition or expansion capital expenditures provided that the leverage ratio remains below 3.75 to 1.00 and \$10 million is available under the revolving credit facility after the applicable expenditure. However, if the leverage ratio exceeds 3.75 to 1.00, the amount of an

acquisition expenditure shall be limited to 20% of WCA Waste's net worth unless expenditures above that amount are approved by a majority of the lenders.

The Second Lien Credit Agreement contains obligations, covenants and restrictions similar to the First Lien Credit Agreement, and the same are designed to work together, provided, the financial ratios and tests in the Second Lien Credit Agreement are slightly more favorable to WSI, meaning that any violation of these tests or ratios would, in all probability, result in a default under the First Lien Credit Agreement before a default occurs under the Second Lien Credit Agreement.

Other covenants in the Credit Agreements limit our ability and certain of our subsidiaries to, among other things: (i) create, incur, assume or permit to exist certain liens; (ii) make certain investments, loans and advances; (iii) enter into any sale-leaseback transactions; (iv) materially change the nature of our business; (v) create, incur, assume or permit to exist certain leases; (vi) merge into or with or consolidate with any other person; (vii) sell, lease or otherwise dispose of all or substantially all of our property or assets; (viii) discount or sell any of our notes or accounts receivable; (ix) transact business with affiliates unless in the ordinary course of business and on arm's length basis; (x) make certain negative pledges; and (xi) amend, supplement or otherwise modify the terms of any debt or prepay, redeem or repurchase any subordinated debt.

Included in such covenants is a prohibition against the payment of cash dividends by WSI to WCA Waste (or any intermediary) except for the limited purposes of debt repayment, meaning WCA Waste has very limited sources of cash. WCA Waste's only source of cash to pay dividends is distributions from its subsidiaries and, therefore, its ability to declare or pay future cash dividends on its common stock would be subject to, among other factors, a relaxation of this prohibition. As of December 31, 2005, we were in compliance with all debt covenants.

Other Financing Sources

Other sources of financing that we have used in connection with our acquisition program include issuing debt or equity to the sellers. As of December 31, 2005, we had \$7.4 million of seller notes outstanding of which \$7.0 million is convertible into shares of our common stock. During the year ended December 31, 2005, in connection with four acquisition, we issued 1,474,694 shares of common stock.

Contractual Obligations

As of December 31, 2005, we had the following contractual obligations (in thousands). The contractual obligations do not include interest payments on long-term debt due to the variable interest rates under our credit facility and the varying amounts outstanding under our credit facility during the year. The contractual interest rate for our credit facility is the LIBOR base rate plus a stipulated margin, which also fluctuates based on our leverage ratio. For the year ended December 31, 2005, our cash paid for interest expense was \$9.5 million. Please read note 7 to our consolidated financial statements for balances and terms of our credit facility at December 31, 2005.

•			Payments Due By	Period	or and the second
		Less Than 1			More Than 5
Contractual Obligations	Total	Year	1-3 Years	4-5 Years	Years
Long-term debt principal amount			<u>,</u>	And the second	
outstanding (1)	\$ 176,603	\$ 1,910	\$ 2,760	\$ 47,518	\$ 124,415
Closure and post-closure costs (2)	101,812	2 280	5 —	<u>.</u> .	101,526
Operating lease	4,303	68′	7 802	755	2,059
Note payable	73	<u> </u>	<u> </u>		
Total	\$ 282,791	\$ 2,95	\$ 3,562	<u>\$ 48,273</u>	\$ 228,000

- (1) Related interest obligations have been excluded from this maturity schedule.
- (2) The closure and post-closure costs amounts included reflect the amounts recorded in our consolidated balance sheet as of December 31, 2005, without the impact of discounting and inflation. We believe the amount and timing of these activities are reasonably estimable. The cost in current dollars is inflated (2.5% at December

31, 2005) until the expected time of payment, and then discounted to present value (8.5% at December 31, 2005). Accretion expense is then applied to the closure and post-closure liability based on the effective interest method and is included in cost of services. Our recorded closure and post-closure liabilities will increase as we continue to place additional volumes within the permitted airspace at our landfills.

Other Commitments

As of December 31, 2005, we had the following other commitments (in thousands):

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			Less	1		More
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Other Commitments	Total	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Year	1-3 Years	4-5 Years	Years
Financial surety bonds(1)	\$ 32,822	\$	32,822	\$ —	\$	<u>s</u> —
Standby letters of credit(2)	8,153	_	8,153			
Total	\$ 40,975	<u>.</u>	40,975	<u>\$</u>	<u>\$</u>	\$

- (1) We use financial surety bonds for landfill closure and post-closure financial assurance required under certain environmental regulations and may use other mechanisms including insurance, letters of credit and restricted cash deposits. We have experienced less availability of surety bonds for landfill closure and post-closure requirements and increased costs including the direct fees associated with the bonds, increased levels of standby letters of credit or personal guarantees provided to the surety bond underwriters. Our commitments for financial surety bonds are not recorded in our financial statements. Our surety bonds relate to closure and post-closure obligations relating to our landfills and would not create debt unless and until we closed such landfills and were unable to satisfy closure and post-closure obligations.
- (2) We provide standby letters of credit to the surety bond underwriters as discussed in note (1) above. As of December 31, 2005, \$4.7 million had been provided to the surety bond underwriters. We also provide standby letters of credit and restricted cash deposits to our insurance underwriters for the self insured portion of outstanding claims. As of December 31, 2005, we had provided \$3.5 million in standby letters of credit. In January 2006, a total of \$1.0 million was cancelled, leaving \$2.5 million outstanding. Our commitments for standby letters of credit are not recorded in our financial statements. The standby letters of credit relate to the portion of claims covered by insurance policies as to which we had retained responsibility and would not create debt unless we were unable to satisfy such claims from our operating income. However, we currently satisfy such claims from our cash flows from operations.

If our current surety bond underwriters are unwilling to renew existing bonds upon expiration, or are unwilling to issue additional bonds as needed, or if we are unable to obtain surety bonds through new underwriters as such needs arise, we would need to arrange other means of financial assurance, such as restricted cash deposits or a letter of credit. While such alternate assurance has been available, it may result in additional expense or capital outlays.

We accrue claims related to our self-insurance programs based on claims filed, estimated open claims and claims incurred but not reported based on actuarial-based loss development factors. As of December 31, 2005, we had accrued \$1.5 million for these claims. If we experience insurance claims or costs above or below our limited history, our estimates could be materially affected.

Cash Flows

The following is a summary of our cash balances and cash flows for the years ended December 31, 2005, 2004 and 2003 (in thousands):

		Years Ended December	er 31,
	2005	2004	2003
Cash and cash equivalents at the end of the period	\$ 67	78 \$ 272	\$ 105
Cash provided by operating activities	\$ 21,81	19 \$ 13,471	\$ 14,298
Cash used in investing activities	\$(111,38	\$(45,963)	\$ (3,640)
Cash provided by (used in) financing activities	\$ 89,96	\$ 32,659	\$(10,553)
	·		
	40		

Cash provided by operating activities for the years ended December 31, 2005, 2004 and 2003 was \$21.8 million, \$13.5 million and \$14.3 million, respectively. The increase in cash flows from operating activities is primarily due to the change from net loss of \$4.4 million during the year ended December 31, 2004 to net income of \$3.5 million during the year ended December 31, 2005 and the non-cash charges included in those results.

Cash used in investing activities consist primarily of cash used for capital expenditures and the acquisition of businesses. Cash used for capital expenditures, including acquisitions, was \$111.6 million, \$45.9 million and \$13.7 million for the years ended December 31, 2005, 2004 and 2003, respectively. Acquisitions of businesses in 2005 accounted for \$62.3 million of the increase over 2004. During 2003, we received \$9.8 million in proceeds from the sale of discontinued operations. We expect capital expenditures related to our existing operations for 2006 to be approximately 12% of our revenue. These expenditures include the cost of vehicles, heavy equipment, containers, landfill cell development and certain systems and program improvements. Furthermore, in connection with the execution of our acquisition strategy, we expect to make substantial capital expenditures. Because of their nature, we cannot accurately predict the amount and timing of these acquisition expenditures. We believe that we will have the necessary financial sources available to fund our capital expenditures and our acquisition program. These sources include the use of borrowings under our existing credit facility, seller notes, and the issuance of new debt or equity.

Cash provided by (used in) financing activities during the years ended December 31, 2005, 2004 and 2003 was \$90.0 million, \$32.7 million and \$(10.6) million, respectively. Cash provided by financing activities during the years ended December 31, 2005, 2004 and 2003 includes borrowings under our credit facilities, repayments of debt and financing costs associated with amendments to our credit facility in all periods, and distributions to our former parent in prior periods. Proceeds from financing include the net proceeds from the use of our credit facilities and seller notes. The increase in net cash from investing activities in 2005 as compared to that in 2004 reflects the amounts borrowed related to our ongoing acquisition program. The increase in 2004 as compared to that in 2003 reflects the impact of proceeds of our initial public offering in June which was used to repay outstanding borrowings.

Critical Accounting Policies

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Landfill Accounting

Capitalized Landfill Costs

As of December 31, 2005, we owned 7 MSW landfills and 12 C&D landfills. One MSW landfill and one C&D landfill are fully permitted but not constructed and have not yet commenced operations.

Capitalized landfill costs include expenditures for the acquisition of land and airspace, engineering and permitting costs, cell construction costs and direct site improvement costs. As of December 31, 2005, no capitalized interest had been included in capitalized landfill costs. However, in the future interest could be capitalized on landfill construction projects but only during the period the assets are undergoing activities to ready them for their intended use. Capitalized landfill costs are amortized ratably using the units-of- production method over the estimated useful life of the site as airspace of the landfill is consumed. Landfill amortization rates are determined periodically (not less than annually) based on aerial and ground surveys and other density measures and estimates made by our internal and/or third-party engineers.

Total available airspace includes the total of estimated permitted airspace plus an estimate of probable expansion airspace that we believe is likely to be permitted. Where we believe permit expansions are probable, the expansion airspace, and the projected costs related to developing the expansion airspace are included in the

airspace amortization rate calculation. The criteria we use to determine if permit expansion is probable include but, are not limited to, whether:

- we believe that the project has fatal flaws;
- the land is owned or controlled by us, or under option agreement;
- we have committed to the expansion;
- financial analysis has been completed, and the results indicate that the expansion has the prospect of a positive financial and operational impact;
- personnel are actively working to obtain land use, local, and state approvals for an expansion of an existing landfill;
- we believe the permit is likely to be received; and
- we believe that the timeframe to complete the permitting is reasonable.

We may be unsuccessful in obtaining expansion permits for airspace that has been considered probable. If unsuccessful in obtaining these permits, the previously capitalized costs will be charged to expense. As of December 31, 2005, we have included 86 million cubic yards of expansion airspace with estimated development costs of approximately \$65.3 million in our calculation of the rates used for the amortization of landfill costs.

Closure and Post-Closure Obligations

We have material financial commitments for the costs associated with our future obligations for final closure, which is the closure of the landfill, the capping of the final uncapped areas of a landfill and post-closure maintenance of those facilities, which is generally expected to be for a period of up to 30 years for MSW facilities and up to five years for C&D facilities.

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), which provides standards for accounting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. Generally, the requirements for recording closure and post-closure obligations under SFAS No. 143 are as follows:

- Landfill closure and post-closure liabilities are calculated by estimating the total obligation in current dollars. Cost estimates equate the costs of third parties performing the work. Any portion of the estimates which are based on activities being performed internally are increased to reflect a profit margin a third party would receive to perform the same activity. This profit margin will be taken to income once the work is performed internally.
- The total obligation is carried at the net present value of future cash flows, which is calculated by inflating the obligation based upon the expected date of the expenditure using an inflation rate and discounting the inflated total to its present value using a discount rate. The discount rate represents our credit-adjusted risk-free rate. The resulting closure and post-closure obligation is recorded as an increase in this liability as airspace is consumed.
- Accretion expense is calculated based on the discount rate and is charged to cost of services and increases the related closure and post-closure obligation. This expense will generally be less during the early portion of a landfill's operating life and increase thereafter.

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will, closure the for impairment at least annually. Intangible assets with estimable useful lives on their residual values, and reviewed for impairment. As of December 31, cubic vard of airspace consu

at asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Allocation of Acquisition Purchase Price

A summary of our accounting policies for acquisitions is as follows:

- Acquisition purchase price is allocated to identified tangible and intengible assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition with any residual amounts allocated to goodwill. We accrue the payment of contingent purchase price if the events surrounding the contingency are deemed probable.
- We often consummate single acquisitions that include a combination of collection operations and landfills. For each separately identified collection operation and landfill acquired in a single acquisition, we perform an initial allocation of total purchase price to the identified collection operations and landfills based on their relative fair values. Following this initial allocation of total purchase price to the identified collection operations and landfills, we further allocate the identified intangible assets and tangible assets acquired and liabilities assumed for each collection operation and tandfill based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to the goodwill or landfill site costs, as discuss

Recently Adopted Accounting Pronouncements In December 2004, the Financial Accounting Standards Board issued Statement of Financial (revised 2004), "Share-Based Payment" (SFAS No. 123(R)), Which provides the statement of Financial Accounting for Stock Based Compensation" (SFAS No. 123(R)), Which provides the superiod of Financial Statements or interim or annual report of the superiod of the following two transmort fairs beginning January (1) The modified prospective that the first interim or annual report of the following two transmort fairs beginning January (1) The modified prospective that the following two transmort fairs beginning January (1) All the phased awards the following two transmort fairs beginning January (1) All the phased awards the following two transmort fairs beginning January (1) All the phased awards the following two transmort fairs the provisions where the following two transmort fairs the provisions and the following two transmorts fairs the provisions where the following two transmorts fairs the fairs the fairs the fairs that the fairs the fairs that the fairs the fairs that the fairs that the fairs that the fairs that
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contlook", "project", "forecast", "intend", "seek", "plan", "believe", "anticipate", "extinate", "estimate", "continue", "continue", of continue", the negatives of these words, or similar words or expressions. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. This is true of our description of our acquisited researcher example. It is objectives or goals are also forward-looking statements based upon a mixture of historical and projected researcher example. It is
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We caution that forward-looking statements are not guarantees and are subject to known and differences. Since our business, operations and strategies are subject to a number of risks, uncertainties and other factors, actual results in the state of the subject to many risks and uncertainties included a number of risks, uncertainties and other factors, actual results in the results are subject to many risks and uncertainties included a number of risks, uncertainties and other factors, actual results in the results are subject to many risks and uncertainties included and are subject to known and differences. Thus, for example, our future financial production strategy, and the results are subject to many risks and uncertainties included and are subject to known and differences.
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The following table sets forth the rates we used for the amortization of landfill costs and the accrual of closure and post-closure costs for 2005, 2004 and 2003:

	2005	2004	2003
Number of landfills owned	19	14	13
Landfill depletion and amortization expense (in thousands)	\$ 6,956	\$ 4,290	\$ 4,066
Accretion expense (in thousands)	159	257	207
Closure and post-closure expense (in thousands)			
	7,115	4,547	4,273
Airspace consumed (in thousands of cubic yards)	3,854	2,623	2,301
Depletion, amortization, accretion, closure and post-closure expense per cubic yard of airspace consumed	\$ 1.85	\$ 1.73	\$ 1.86

The impact of changes determined to be changes in estimates, based on an annual update, is accounted for on a prospective basis. Our ultimate liability for such costs may increase in the future as a result of changes in estimates, legislation, or regulations.

Goodwill

Goodwill and intangible assets acquired in a business combination accounted for as a purchase and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their residual values, and reviewed for impairment. As of December 31, 2005, our goodwill balance was \$72.5 million.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Allocation of Acquisition Purchase Price

A summary of our accounting policies for acquisitions is as follows:

- Acquisition purchase price is allocated to identified tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to goodwill. We accrue the payment of contingent purchase price if the events surrounding the contingency are deemed probable.
- We often consummate single acquisitions that include a combination of collection operations and landfills. For each separately identified collection operation and landfill acquired in a single acquisition, we perform an initial allocation of total purchase price to the identified collection operations and landfills based on their relative fair values. Following this initial allocation of total purchase price to the identified collection operations and landfills, we further allocate the identified intangible assets and tangible assets acquired and liabilities assumed for each collection operation and landfill based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to either goodwill or landfill site costs, as discussed above.

Recently Adopted Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R)), which revises Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS No. 123) and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". In general, SFAS No. 123(R) does not change the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based awards to employees to be recognized as compensation expense based on the fair value of the award at the date of grant. As such, the intrinsic value method permitted by SFAS No. 123 is no longer an alternative.

SFAS No. 123(R) must be adopted in the first interim or annual reporting period beginning January 1, 2006, although early adoption in periods in which financial statements or interim reports have not been issued is encouraged. SFAS No. 123(R) allows companies to adopt its provisions using one of the following two transition methods:

- (i) The modified prospective method, which requires recognition of compensation expense using SFAS No. 123(R) for all share-based awards granted after the effective date and recognition of compensation expense using SFAS No. 123 for all previously granted share-based awards that remain unvested at the effective date.
- (ii) The modified retrospective method, which includes the requirements of the modified prospective method, but also permits companies to restate prior periods on a basis consistent with the pro forma disclosures required by SFAS No. 123. The modified retrospective method may be applied to all prior periods presented or previously reported interim periods of the year of adoption.

We will adopt SFAS No. 123(R) using the modified prospective method. The adoption of this new accounting pronouncement will have no effect on cash and is not expected to materially impact our overall financial position. Our results of operations have not included recognition of compensation expense for employee stock options because we currently account for share-based awards to employees using APB No. 25's intrinsic value method. The adoption of SFAS No. 123(R) will have no immediate impact on our operating income because there are no unvested stock options outstanding as of the effective date of the adoption. Should we issue options as part of our share-based awards in the future, it would have an impact on our operating results though such impact cannot be predicted at this time.

Cautionary Statement About Forward-Looking Statements

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. From time to time, our public filings, press releases and other communications (such as conference calls and presentations) will contain forward-looking statements. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "may", "will", "should", "outlook", "project", "forecast", "intend", "seek", "plan", "believe", "anticipate", "expect", "estimate", "potential", "continue", or "opportunity", the negatives of these words, or similar words or expressions. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. This is true of our description of our acquisition strategy for example. It is also true of our "run rate" definitions which are estimates based upon a mixture of historical and projected results.

We caution that forward-looking statements are not guarantees and are subject to known and unknown risks and uncertainties. Since our business, operations and strategies are subject to a number of risks, uncertainties and other factors, actual results may differ materially from those described in the forward-looking statements.

Thus, for example, our future financial performance will depend significantly on our ability to execute our acquisition strategy, which will be subject to many risks and uncertainties including (but not limited to) the following:

- we may be unable to identify, complete or integrate future acquisitions successfully;
- we compete for acquisition candidates with other purchasers, some of which have greater financial resources and may be able to offer more favorable terms:
- revenue and other synergies from acquisitions may not be fully realized or may take longer to realize than expected;
- we may not be able to improve internalization rates by directing waste volumes from acquired businesses to our landfills for regulatory, business or other reasons;
- businesses that we acquire may have unknown liabilities and require unforeseen capital expenditures;
- changes or disruptions associated with making acquisitions may make it more difficult to maintain relationships with customers of the acquired businesses;
- in connection with financing acquisitions, we may incur additional indebtedness, or may issue additional shares of our common stock which would dilute the ownership percentage of existing stockholders; and
- rapid growth may strain our management, operational, financial and other resources.

Our business is also subject to a number of operational risks and uncertainties that could cause our actual results of operations, or our financial condition, to differ from any forward-looking statements. These include, but are not limited to, the following:

- we may not be able to obtain or maintain the permits necessary for operation and expansion of our existing landfills or landfills that we might acquire or develop;
- our costs may increase for, or we may be unable to provide, necessary financial assurances to governmental agencies under applicable environmental regulations relating to our landfills;
- governmental regulations may require increased capital expenditures or otherwise affect our business;
- our business is capital intensive, requiring ongoing cash outlays that may strain or consume our available capital and we may not always have access to the additional capital that we require to execute our growth strategy;
- possible changes in our estimates of site remediation requirements, final capping, closure and post-closure obligations, compliance, regulatory developments and insurance costs;
- the effect of limitations or bans on disposal or transportation of out-of-state waste or certain categories of waste;
- increases in the costs of disposal, labor and fuel could reduce operating margins;
- increases in costs of insurance or failure to maintain full coverage could reduce operating income;
- we are subject to environmental and safety laws, which restrict our operations and increase our costs, and may impose significant unforeseen liabilities;

- we compete with large companies and municipalities with greater financial and operational resources, and we also compete with alternatives to landfill disposal;
- covenants in our credit facilities and the instruments governing our other indebtedness may limit our ability to grow our business and make capital expenditures;
- changes in interest rates may affect our results of operations;
- a downturn in U.S. economic conditions or the economic conditions in our markets may have an adverse impact on our business and results of operations;
- failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price; and
- our success depends on key members of our senior management, the loss of any of whom could disrupt our customer and business relationships and our operations.

We describe these and other risks in greater detail in the section entitled "Business—Risk Factors" included elsewhere in this report. We refer you to that section for additional information.

The forward-looking statements included in this report are only made as of the date of this report and we undertake no obligation to publicly update forward-looking statements to reflect subsequent events or circumstances.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to market risk including changes in interest rates. We use interest rate swap agreements to manage a portion of our risks related to interest rates. Effective November 1, 2005, we entered into an interest rate swap agreement whereby we exchanged \$150 million of floating rate debt for five-year fixed-rate debt. We did not enter into the interest rate swap agreements for trading purposes.

After giving effect to the swap, as of December 31, 2005, we had debt outstanding that bears interest at variable or floating rates of approximately \$12.0 million as compared to approximately \$69.4 million as of December 31, 2004. We are primarily affected by changes in LIBOR rates. Please read "Business—Risk Factors—Risks Relating To Our Business—Changes in interest rates may affect our profitability." After giving effect to our interest rate swap agreement, if interest rates were to change by 100 basis points, or 1%, this would result in a corresponding change of \$0.1 million in annual interest charges. The table below provides scheduled principal payments and fair value information about our market-risk sensitive financial instruments as of December 31, 2005 (dollars in thousands):

			Ex	pected Maturity	Dates		
	2006	2007	2008	2009	2010	Thereafter	Total (a)
Debt:	e de la companya de l	en e	المناسم منطرف والجالب المسترسين	en e	and the second s		
Term B Loan	\$1,000	\$1,000	\$1,000	\$1,000	\$ 1,000	\$94,250	\$99,250
Average interest rate (b)	to a little to the second		ing the training				
Revolving Credit Loans Average interest rate (b)	\$ —	\$ —	s —	\$ —	\$37,723	\$	\$37,723
Taio (b)				1.50	* * * * *		•
Second Lien Credit Agreement	\$ —	\$ —	\$ —	\$ —	\$ —	\$25,000	\$25,000
Average interest rate (c)							
Environmental Facilities			FINE C. AND COMP. THE STATE OF		n a company of the second		e.
Revenue Bonds	\$ 220	\$ 240	\$ 260	\$ 285	\$ 310	\$ 5,165	\$ 6,480
Average interest rate (d)							
Other borrowings	\$ 690	\$ 204	\$ 56	\$3,000	\$ 4,200	\$ —	\$ 8,150
Average interest	6.3%	6.7%	6.2%	5.0%	7.9%		6.6%
Note payable	\$ 73	\$ —	\$ —	\$ —	\$ —	\$	\$ 73
Average interest	4.9%						4.9%

- (a) The total amounts of our market-risk sensitive financial instruments are equal to the fair value of such instruments.
- (b) Borrowings under the Term B Loan and the Revolving Credit Loans bear interest at a floating rate, at our option, of either (i) the base rate loans plus the applicable margin or (ii) the LIBOR loans plus the applicable margin. The base rate is equal to the higher of the federal funds rate plus 1/2 of 1% or the prime rate. The applicable margin to base rate loans ranges from 0.75% to 2.00%, and the applicable margin to LIBOR loans ranges from 1.75% to 3.00%, depending in each case, on the leverage ratio, which is generally defined as the ratio of funded debt to EBITDA, as of the most recent determination date, which is generally at the end of each quarter. As of December 31, 2005, the weighted average interest rate in effect for the Term B Loan and the Revolving Credit Loans was 7.72%.
- (c) Borrowings under the Second Lien Credit Agreement bear interest at a floating rate, at our option, of either (i) the base rate loans plus the applicable margin or (ii) the LIBOR loans plus the applicable margin. The base rate is equal to the higher of the federal funds rate plus 1/2 of 1% or the prime rate. The applicable margin on all loans is 6%. As of December 31, 2005, the interest rate in effect for the Second Lien Credit Agreement was 10.72%.
- (d) Borrowings under the Environmental Facilities Revenue Bonds bear interest at 8.50% to 9.00%. As of December 31, 2005, the weighted average interest rate in effect for the Environmental Facilities Revenue Bonds was 8.94%.

Item 8. Financial Statements and Supplementary Data.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation to assess the effectiveness of our internal control over financial reporting as of December 31, 2005 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2005.

There are inherent limitations in the effectiveness of any system of internal controls over financial reporting. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Our evaluation did not include evaluating the effectiveness of internal control over financial reporting relating to certain landfills and collection operations in Missouri, Florida and North Carolina during 2005 (the 2005 Acquisitions). Total assets and revenues for the 2005 Acquisitions represent approximately \$120 million and \$15 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors

WCA Waste Corporation (formerly WCA Waste Systems, Inc.):

We have audited the accompanying consolidated balance sheets of WCA Waste Corporation (formerly WCA Waste Systems, Inc.) (the Company) and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations, stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WCA Waste Corporation (formerly WCA Waste Systems, Inc.) and subsidiaries as of December 31, 2005 and 2004 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria), and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in note 1 to the consolidated financial statements, effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations".

/s/ KPMG LLP

Houston, Texas

March 15, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors

WCA Waste Corporation (formerly WCA Waste Systems, Inc.):

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that WCA Waste Corporation (formerly WCA Waste Systems, Inc.) (the Company) and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that WCA Waste Corporation (formerly WCA Waste Systems, Inc.) and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, WCA Waste Corporation (formerly WCA Waste Systems, Inc.) and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

WCA Waste Corporation (formerly WCA Waste Systems, Inc.) acquired certain landfills and collection operations in Missouri, Florida and North Carolina during 2005 (the 2005 Acquisitions). Management excluded from its assessment of the effectiveness of WCA Waste Corporation's (formerly WCA Waste Systems, Inc.) internal control over financial reporting as of December 31, 2005, the 2005 Acquisitions' internal control over financial reporting associated with total assets of \$120 million and total revenues of \$15 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2005. Our audit of internal control over financial reporting of the Company also excluded an evaluation of internal control over financial reporting of the 2005 Acquisitions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial position of WCA Waste Corporation (formerly WCA Waste Systems, Inc.) and subsidiaries as of December 31, 2005 and 2004 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005 and our report dated March 15, 2006 expressed an unqualified opinion thereon.

/s/ KPMG LLP Houston, Texas March 15, 2006

WCA WASTE CORPORATION AND SUBSIDIARIES WCA WASTE SYSTEMS, INC.) (FORMERLY WCA WASTE SYSTEMS, INC.) (In thousard, except per share data)

(in thousa,	Decemb	er 31,
	2005	2004
-svets	- 10 Background County	
Current assets:	• 678	272
	\$ 6/8 270	
Cash and coch addivalents Restricted cash		
Accounts receivable, net of allowance for doubtful accounts of \$1,190 a	nd \$575	9,03
Deferred tax assets	, 52	4.00
Prepaid expenses and other	4,728	4,80
Total current assets	22,566	14,11
reporty and equipment, net	186,299	90,52
oodwill, net	72,455	47,51
ntangible assets, net	5,041	3,01
eferred financing costs, not	3,374	2,82
estricted cash — debt service reserve fund	675	
eferred tax assets		2,55
ther assets	1,128	3,21
Total assets	<u>\$ 291,538</u>	163,76
iabilities: and Stockholders' Equity	en e	m tours - Te
Accounts payable	¢ 6,284	6,08
Accrued liabilities and other	7,265	5,55
Accrued closure and post-closure liabilities	286	44
Note payable	73	2,09
Current maturities of long-term debt	1,910	1,42
Total current liabilities	15,818	15,600
	174.252	7. 0.
ong-term debt, less current maturities and discount	174,352	71,81
iterest rate swap	711	1.700
cerued closure and post-closure liabilities	3,332	1,780
eferred tax liabilities	5,618	
Total liabilities	199,831	89,194
ommitments and contingencies		
ockholders' equity:	on v on the state of the state	
Common stock, \$0.01 par value per share. Authorized 50,000 shares; issue	ned and	
outstanding 16,532 shares and 14,853 shares	165	. 149
Additional paid-in capital	86,930	72,849
Retained earnings	5,043	1,575
Accumulated other comprehensive loss	(431)	
Total stockholders' equity	91,707	74,573
Total liabilities and stockholders' equity	\$ 291,538	163,767

WCA WASTE CORPORATION AND SUBSIDIARIES (FORMERLY WCA WASTE SYSTEMS, INC.) Consolidated Statements of Operations

Consolidated Statements of Operations (in thousands, except per share data)

	2005	s Endt	\ ,
Revenue		77.4m	
Expenses:	\$ 114,143	may are 10, 101	
Cost of services	and the state of t	50 387	7
Depreciation and amortization General and administrative:	73,933	50,00/	7,812
Stock-based compensation	A STATE OF THE STA		1.0-
to the same A. A substituting and a design of the property of	509	11 537	1770
Other general and administrative	7.802	4,751	3,922
	97,030	75,498	54,620
Operating income (loss)	17,104	(2.037)	9.606
Other income (expense):			5 7 30
Interest expense, net	(10,366)	11 150)	manager species of the manager species of the speci
Write-off of deferred financing costs and debt discount	(1,308)	(4, 4 23) (616)	
Other income, net	286	268	28
	(11,388)		
Income (loss) from continuing operations before income taxes	Construction with the second section of the secti		45 -192)
and cumulative effect of change in accounting principle	5,716	(6,840)	'A A1A
Income tax (provision) benefit	(2,248)		(1,753)
Income (loss) from continuing operations before cumulative	2.460	(4,364)	2 661
effect of change in accounting principle	3,468	(4,204)	2,661
Loss from discontinued operations, net of tax		To the feet of the control of the co	(156)
Gain on disposal of discontinued operations, net of tax		more many	249
Income (loss) before cumulative effect of change in accounting		•	
principle	3,468	(4,364)	2,754
Cumulative effect of change in accounting principle, net of tax	0 2460	(4)	2,324
Net income (loss)	<u>\$ 3,468</u>	(4,364)	5,078
Parisher share hasis and diluted:	the section of the se		
Earnings per share — basic and diluted:	···	$ \xi_{D}-\lambda = \theta =-4 \xi \propto \eta \cdot \theta \exp(\sin \theta \cos \theta \cos \theta \cdot \theta \cdot \theta \cdot \theta)$	And the second s
Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ 0.22	(0.38)	0.33
Loss from discontinued operations, net of tax		·	(0.JJ)
Gain on disposal of discontinued operations, net of tax	ar vag en ser ser se de de la companya de la compan		0.03
Income (loss) before cumulative effect of change in accounting	The state of the s	The state of the s	f.,
principle, net of tax	0.22	(0.38)	0.34
Cumulative effect of change in accounting principle, net of tax			0.29
Net income (loss)	\$ 0.22	(0.38)	9 000
Weighted average shares outstanding — basic	15,579	11,599	
Weighted average shares outstanding — diluted	15,641	11;599	8,00
See accompanying notes to consolidated financial statements.		1	ne pantis h
52			Charling
7 / ₄			

Consolidated Balance Sheets
(in thousands, except per share data)

	Decembe	r 31,
	2005	2004
Assets		
Current assets:	angeneration of the control of the c	man an prilliance
Cash and cash equivalents	\$ 678	27
Restricted cash	270	
Accounts receivable, net of allowance for doubtful accounts of \$1,190 and \$575	16,127	9,039
Deferred tax assets	763	
Prepaid expenses and other	4,728	4,80
Total current assets	22,566	14,119
Property and equipment, net	186,299	90,52
Goodwill, net	72,455	47,510
Intangible assets, net	5,041	3,019
Deferred financing costs, net	3,374	2,82.
Restricted cash — debt service reserve fund	675	
Deferred tax assets	· · · · · · · · · · · · · · · · · · ·	2,55
Other assets	1,128	3,21
Total assets	\$ 291,538	163,76
Liabilities and Stockholders' Equity	ana pagamananan na mananan mananan mananan mananan mananan manan m	A. A. W
Current liabilities:	The second secon	
Accounts payable	\$ 6,284	6,08
Accrued liabilities and other	7,265	5,55
Accrued closure and post-closure liabilities	286	44.
Note payable	73	2,09
Current maturities of long-term debt	1,910	1,42
Total current liabilities	15,818	15,60
Long-term debt, less current maturities and discount	174,352	71,81
Interest rate swap	711	- · · · · · · · · · · · · · · · · · · ·
Accrued closure and post-closure liabilities	3,332	1,78
Deferred tax liabilities	5,618	
Total liabilities	199,831	89,19
Commitments and contingencies		1
Stockholders' equity:		
Common stock, \$0.01 par value per share. Authorized 50,000 shares; issued and	t is a manufacture and a second of the secon	A TO SERVICE S
outstanding 16,532 shares and 14,853 shares	165	. 14
Additional paid-in capital	86,930	72,84
Retained earnings	5,043	1,57
Accumulated other comprehensive loss	(431)	
Total stockholdow opuits	91,707	74,57
Total liabilities and stockholders' equity	The same of the sa	
rotal haddines and stockholders equity	\$ 291,538	163,76

Consolidated Statements of Operations (in thousands, except per share data)

$(x,y) \in \mathcal{N}_{0} \otimes \mathcal{Y}_{0}$, where $(x,y) \in \mathcal{N}_{0}$, $(x,y) \in \mathcal{N}_{0}$	Years Ended December 31,				
The control of the co		005	2004	2003	
Revenue	<u>\$</u> 1	14,143	73,461	64,226	
Expenses:	1 m		_		
Cost of services		73,933	50,387	41,666	
Depreciation and amortization	75 - 76 - 1 - 1 - MAR	14,795	8,828	7,812	
General and administrative:			The second of th		
Stock-based compensation		509	11,532	1,220	
Other general and administrative		7,802	4,751	3,922	
		97,039	75,498	54,620	
Operating income (loss)		17,104	(2,037)	9,606	
Other income (expense):			*•		
Interest expense, net		(10,366)	(4,453)	(5,220)	
Write-off of deferred financing costs and debt discount		(1,308)	(618)		
Other income, net	_ m_ m	286	268	28	
A CONTRACT OF THE PROPERTY OF		(11,388)	(4,803)	(5,192)	
Income (loss) from continuing operations before income taxes		<u>,</u>)			
and cumulative effect of change in accounting principle		5,716	(6,840)	4,414	
Income tax (provision) benefit	* * * * * * *	(2,248)	2,476	(1,753)	
Income (loss) from continuing operations before cumulative		<u></u>	-, -, -, -, -, -, -, -, -, -, -, -, -, -		
effect of change in accounting principle		3,468	(4,364)	2,661	
Loss from discontinued operations, net of tax				(156)	
Gain on disposal of discontinued operations, net of tax				249	
Income (loss) before cumulative effect of change in accounting				· · · · · · · · · · · · · · · · · · ·	
principle		3,468	(4,364)	2,754	
Cumulative effect of change in accounting principle, net of tax				2,324	
Net income (loss)	\$	3,468	(4,364)	5,078	
·					
Earnings per share — basic and diluted:					
Income (loss) from continuing operations before cumulative effect of			And the second		
change in accounting principle	\$	0.22	(0.38)	0.33	
Loss from discontinued operations, net of tax				(0.02)	
Gain on disposal of discontinued operations, net of tax				0.03	
Income (loss) before cumulative effect of change in accounting					
principle, net of tax	-	0.22	(0.38)	0.34	
Cumulative effect of change in accounting principle, net of tax				0.29	
Net income (loss)	\$	0.22	(0.38)	0.63	
Weighted average shares outstanding — basic		15,579	11,599	8,000	
Weighted average shares outstanding — diluted	and a second	15,641	11,599	8,000	
See accompanying notes to consolidated financial statements.				3,000	
52			•	* .	

Consolidated Statements of Stockholders' Equity

			(in thous: Additional		* · •	Accumulate Other	Total
14 14 14 14 14 14 14 14 14 14 14 14 14 1	Common Shares	Stock Par	Paid-in Capital	Unearned Compensati	Retained Earnings	Comprehen Loss	Stockholder Equity
Balance, December 31, 2002 Contribution from Old	8,000	\$ 80	16,793		861		17,734
WCA			1,309	- 10: 11 management of 10: constraint found (MICC) (No. 1 to 1 to 1			1,309
Distribution to Old WCA			(6,774)	<u></u>			(6,774)
Non-cash compensation							
charge Net income			1,220	augmental an anger to be any act of the contract of the	5,078		1,220 5,078
					3,076		3,078
Balance, December 31, 2003	8,000	80	12,548		5,939		18,567
Settlement of WCA options through issuance of WCA common stock			6,849				6,849
Distribution to Old		**************************************	0,049		,		0,049
WCA, net of tax allocation	·	· , 	(3,076)				(3,076)
Proceeds from initial public offering	6,590	66	54,944				55,010
Issuance of shares in acquisition	263	3	1,584				1,587
Net loss		<u> </u>	~	· · · · · · · · · · · · · · · · · · ·	(4,364)	 .	(4,364)
Balance, December 31, 2004	14,853	149	72,849		1,575		74,573
Change in accumulated loss in interest rate							
swap, net of tax	<u> </u>	e y lating o the description	Allendaria 1.1 Service Addigates to the first pro-	againments		(431)	(431)
Issuances of common stock	1,475	14	13,574	ta			13,588
Issuances of restricted shares to employees and							
directors	204	2	1,948	(1,950)			
Accretion of unearned compensation				509		•	509
Net income				309	3,468	· · · · · · · · · · · · · · · · · · ·	3,468
Balance, December 31,		, 100			100		÷
2005	16,532	\$ 165	88,371	(1,441)	5,043	(431)	91,707
•		Consolidated		Comprehensive	Income		
	•		(in thous	ands)			
		\$			Years I	Inded December 31,	

Net income (loss)Years Ended December 31,Net income (loss)200520042003Accumulated other comprehensive income (loss)\$ 3,468(4,364)5,078Total comprehensive income (loss)\$ 3,037(4,364)5,078See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(in thousands)

Land to the second of the seco	2005	ears Ended December 31, 2004	2003
and the state of the		·	restated
		April 1	
ash flows from operating activities:	, the same terms and	and the second s	see note 1(w)
Net income (loss)	\$ 3,468	(4,364)	5,07
Adjustments to reconcile net income (loss) to net cash provided by	φ <i>5</i> ,π00	(4,504)	2,07
operating activities:			
Depreciation and amortization	14,795	8,828	8,33
Non-cash compensation charge	509	6,849	1,22
	and the second control of the second	en e	The second secon
Amortization of deferred financing costs and debt discount	- 587	666	93
Write-off of deferred financing costs and debt discount	1,308	618	
Deferred tax provision (benefit)	2,145	(2,477)	1,75
Provision and accretion expense for closure and post-		,	
closure obligations	159	257	20
Gain on sale of assets	(295)	(268)	(42
Interest rate swap		(14)	(1,52
Prepaid disposal usage	1,834	377	1,60
Cumulative effect of change in accounting principle	and the supplementary of the second		(3,74
Cost of terminated acquisitions	70	7	3
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(5,163)	(3,317)	(37
Prepaid expenses and other	(90)	4,137	1,75
Accounts payable and other liabilities -	2,492	2,172	(55
Net cash provided by operating activities	21,819	13,471	14,29
ash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(93,631)	(31,330)	(6,43
Proceeds from sale of discontinued operations			9,75
Proceeds from sale of fixed assets	317	283	34
Cost incurred on possible acquisitions	(64)	(327)	. (3
Capital expenditures	(18,003)	(14,589)	(7,27
Net cash used in investing activities	(111,381)	(45,963)	(3,64
ash flows from financing activities:		· · · · · · · · · · · · · · · · · · ·	
Proceeds from issuance of long-term debt	127,500	46,900	6,50
Proceeds from issuance of common stock		55,010	- · · · · · · · · · · · · · · · · · · ·
Principal payments of note payable	(2,257)	(903)	(2,74
Principal payments on long-term debt	(23,537)	(12,785)	(6,50
Repayment of Waste Management, Inc. note		(13,343)	
Net change in revolving line of credit	(9,176)	(33,263)	(84
Distributions and transfers to Old WCA, net		(6,667)	(6,55
(Increase) decrease in restricted cash	(208)	and the same of th	67
Deferred financing costs	(2,354)	(2,290)	(1,07
Net cash provided by (used in) financing activities	89,968	32,659	(10,55
Net change in cash and cash equivalents	406	167	10
ash and cash equivalents at beginning of period	272	105	
ash and cash equivalents at end of period	\$ 678	272	10
ee accompanying notes to consolidated financial statements.	 ,	· · · · · · · · · · · · · · · · · · ·	

WCA WASTE CORPORATION AND SUBSIDIARIES
(FORMERLY WCA WASTE SYSTEMS, INC.)
Consolidated Statements of Cash Flows — Continued
(in thousands)

		Years Ended December 31,	
	2005	2004	2003
Supplemental cash flow information:	k m maka iiiima ka jiii		
Cash paid during the year for:			***
Interest	\$ 9,452	3,772	4,730
Taxes	<u> </u>		· . —
Non-cash investing and financing activities:	in the second		
Property and equipment financed by direct debt		en de la companya de La companya de la co	448
Issuance of premiums financed by direct debt	239	2,091	1,002
Property and equipment distributed to Old WCA	· · · · · · · · · · · · · · · · · · ·		249
Acquisitions of operations:			
Restricted cash			100
Accounts receivable	1,925	552	·
Prepaid expenses and other	29	11	
Property and equipment, net	91,674	15,068	7,714
Goodwill a second of the secon	24,945	17,667	(119)
Intangible assets	2,252	3,060	a di di sama
Debt and liabilities issued or assumed	6,802	441	(152)
Old WCA contribution	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	1,309
Long-term debt, net of debt discount	1,500	3,000	<u>—</u>
Accrued closure post-closure liabilities	544		
Deferred tax liabilities	5,665	and the state of t	 ·
Common stock	15	3	.,
Additional paid-in capital	13,405	1,584	1 2
Disposal of discontinued operations:		Salar March Commence	
		en established to the second	(1,261)
Other current assets		The second secon	(141)
Property and equipment, net	et en en et en et en		(3,903)
Goodwill, net		, <u></u> ,	(5,055)
Debt and other liabilities	war	·	(995)
See accompanying notes to consolidated financial statements.	•		
55		A Company of the Comp	

Notes to Consolidated Financial Statements

(1) Organization and Summary of Significant Accounting $\mathbb{E}_{(x,\theta_{k})}(x,\theta_{k})$

(a) Busines

WCA Waste Corporation and subsidiaries (WCA or the Company) was formed effective October 1, 2000 for the purpose of acquiring certain solid waste operations in the Central and Southern United States of America. WCA currenly provides integrated non-hazardous solid waste collection, transfer, processing and disposal services to customers in Alabama, Arkansas, Colorado, Florida, Kansas, Missouri, New Mexico, North Carolina, South Carolina, Texas, and Tennessee. See note 1(b) "Internal Reorganization and Basis of Presentation" for additional discussion on the formation of WCA.

(b) Internal Reorganization and Basis of Presentation

WCA Waste Corporation (Newco) was formed in February 2004 as a subsidiary of Waste Corporation of America, Inc. (Old WCA). In June 2004, Old WCA completed an internal reorganization between Old WCA, Newco and WCA Waste Systems, Inc. (WSI), which was a wholly-owned subsidiary of Old WCA. Through the internal reorganization, the ownership of WSI was transferred to Newco and Old WCA and certain other operating subsidiaries of Old WCA were spun off from the operations of Newco and WSI. This resulted in Old WCA and Newco being separate entities, each owned by the former shareholders of Old WCA, and WSI being a wholly-owned subsidiary of Newco.

In connection with the reorganization and subsequent stock split, Newco issued 6,670,260 shares of common stock to the shareholders of Old WCA. In addition, certain previously outstanding options and warrants of Old WCA were exchanged for 1,330,056 shares (after giving effect to a merger and reverse stock split) of Newco, resulting in a charge of \$11.5 million from this issuance. Following these transactions, there were 8,000,316 shares of Newco common stock outstanding. Following this reorganization, WCA Waste Corporation filed a registration statement with the Securities and Exchange Commission to effect an initial public offering of the common shares of WCA Waste Corporation and completed the offering of 6,587,947 shares of common stock on June 28, 2004.

The formation of Newco and the transfer of the operations of WSI to Newco represent a combination of entities under common control. Accordingly, the accompanying consolidated financial statements reflect the operations of WSI as if such reorganization had occurred as of the beginning of all periods presented.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of all material intercompany balances and transactions. Prior to the reorganization, the Company was a wholly-owned subsidiary of Old WCA, and the accompanying consolidated financial statements have been prepared on a carve-out basis to represent the net assets and related historical results of the Company as-if it were a stand-alone entity. For periods prior to the reorganization, general, administrative and overhead expenses have been allocated between the Company and Old WCA to reflect each entity's portion of these expenses. During 2003, Old WCA transferred the operations of certain wholly-owned subsidiaries to the Company for net consideration of \$4.6 million. This transaction has been accounted for as a combination of entities under common control. Accordingly, the assets and liabilities of the transferred subsidiaries have been recorded at their carrying amounts in the accounts of Old WCA. These financial statements have been presented as if the transferred subsidiaries had been owned by the Company for all periods presented and the net consideration has been included in distributions to Old WCA during the actual periods of transfer.

Notes to Consolidated Financial Statements

(c) Principles of Consolidation

The consolidated financial statements include the accounts of WCA Waste Corporation and its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated.

(d) Cash Equivalents and Restricted Cash

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash relates to the Environmental Facilities Revenue Bonds assumed as part of an October 2005 acquisition.

(e) Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized while minor replacements, maintenance, and repairs are charged to expense as incurred.

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When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the results of operations as increases or offsets to operating expense for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment categories are as follows (in years):

Vehicles and equipment				3 to 10
Containers	.:			5 to 12
Buildings and improvements				15 to 25
Computers and software		-8-		3 to 5
Furniture and fixtures	1	The second secon	annual to the state of the stat	3 to 10
40 T 10T 4		Contract of the Contract of th	and the state of t	

(f) Landfill Accounting

Capitalized Landfill Costs

At December 31, 2005, the Company owned 7 municipal solid waste (MSW) landfills and 12 construction and demolition debris (C&D) landfills. One MSW landfill and one C&D landfill are fully permitted but not constructed and have not yet commenced operations as of December 31, 2005.

Capitalized landfill costs include expenditures for the acquisition of land and related airspace, engineering and permitting costs, cell construction costs and direct site improvement costs. At December 31, 2005, no capitalized interest had been included in capitalized landfill costs, however, in the future interest could be capitalized on landfill construction projects but only during the period the assets are undergoing activities to ready them for their intended use. Capitalized landfill costs are amortized ratably using the units-of-production method over the estimated useful life of the site as airspace of the landfill is consumed. Landfill amortization rates are determined periodically (not less than annually) based on ground surveys and other density measures and estimates made by the Company's engineers, outside engineers, management and financial personnel.

Total available airspace includes the total of estimated permitted airspace plus an estimate of probable expansion airspace that the Company believes is likely to be permitted. Where the Company believes permit expansions are probable, the expansion airspace, and the projected costs related to developing the expansion airspace are included in the airspace amortization rate calculation. The criteria the Company uses to determine

Notes to Consolidated Financial Statements

if permit expansion is probable include but are not limited to whether: (i) the Company believes the project has fatal flaws; (ii) the land is owned or controlled by the Company, or under option agreement; (iii) the Company has committed to the expansion; (iv) financial analysis has been completed and the results indicate that the expansion has the prospect of a positive financial and operational impact; (v) personnel are actively working to obtain land use, local and state approvals for an expansion; (vi) the Company believes that the permit is likely to be received; and (vii) the Company believes that the timeframe to complete the permitting is reasonable.

The Company may be unsuccessful in obtaining expansion permits for airspace that has been considered probable. If unsuccessful in obtaining these permits, the previously capitalized costs will be charged to expense.

Closure and Post-Closure Obligations

The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the landfill and the capping of the final uncapped areas of a landfill and post-closure maintenance of those facilities, which is generally expected to be for a period of up to 30 years for MSW facilities and up to five years for C&D facilities after final site closure.

On January 1, 2003, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), which provides standards for accounting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. SFAS No. 143 results in a change in the mechanics of calculating landfill retirement obligations and the classification of where amounts are recorded in the financial statements. Landfill retirement obligations are no longer accrued through a provision to cost of services, but rather by an increase to capitalized landfill costs and amortized to depreciation and amortization as landfill airspace is consumed. Generally the requirements for recording closure and post-closure obligations under SFAS No. 143 are as follows:

- Landfill closure and post-closure liabilities are calculated by estimating the total obligation in current dollars. Cost estimates equate the costs of third parties performing the work. Any portion of the estimates which are based on activities being performed internally are increased to reflect a profit margin a third party would receive to perform the same activity. This profit margin will be taken to income should the work ultimately be performed internally.
- The total obligation is carried at the net present value of future cash expenditures, which is calculated by inflating the obligation based upon the expected date of the expenditure using an inflation rate and discounting the inflated total to its present value using a discount rate. The discount rate represents the Company's credit-adjusted risk-free rate. The resulting closure and post-closure obligation is recorded on the balance sheet as airspace is consumed.
- Accretion expense is calculated by multiplying the discounted closure and post-closure obligation at the beginning of the year by the credit-adjusted risk-free rate (discount rate). Accretion expense is a non-cash charge to cost of services and increases the related closure and post-closure obligation. This expense will generally be less during the early portion of a landfill's operating life and increase thereafter.

The impact of changes determined to be changes in estimates, based on an annual update, is accounted for on a prospective basis. The Company's ultimate liability for such costs may increase in the future as a result of changes in estimates, legislation, or regulations.

Notes to Consolidated Financial Statements

Adopting SFAS No. 143 required a cumulative adjustment to reflect the change in accounting for landfill obligations retroactively to the date of the inception of the landfill. Inception of the asset retirement obligation is the date the landfill was acquired or the date operation commenced for landfills opened by the Company. Upon adopting SFAS No. 143 on January 1, 2003, the Company recorded a cumulative effect of the change in accounting principle of \$3,749 (\$2,324, net of tax), a decrease in its closure and post-closure liability of \$3,832 and a decrease in net landfill assets of \$83. The adoption of the standard had no impact on our cash requirements.

If SFAS No. 143 had been effective for 2003, the impact on income from continuing operations before cumulative effect of change in accounting principle and earnings per share would have been as follows for the years ended December 31, 2005, 2004 and 2003 (in thousands, except per share data):

	2005	2004	2003
Reported net income (loss)	\$ 3,468	(4,364)	5,078
Adoption of SFAS No. 143, net of tax			(2,324)
Pro forma net income (loss)	\$ 3,468	(4,364)	2,754
Reported net income (loss) per share — basic and diluted	\$ 0.22	(0.38)	0.63
Adoption of SFAS No. 143, net of tax		· · · · · · · · · · · · · · · · · · ·	(0.29)
Pro forma net income (loss) per share — basic and diluted	\$ 0.22	(0.38)	0.34

The changes to landfill assets and closure and post-closure liabilities for the years ended December 31, 2005, 2004 and 2003 are as follows (in thousands):

	N.	Closure and
	Landfill	Post-closure
1 11 0000	Assets, Net	<u>Liabilities</u>
December 31, 2002	\$ 42,746	6,269
Adoption of SFAS No. 143	(83)	(3,832)
Capital expenditures	3,800	
Amortization expense	(4,071)	
Obligations incurred and capitalized	361	361
Interest accretion	<u> </u>	207
Acquisitions divestitures and other adjustments	7,918	
December 31, 2003	\$ 50,671	3,005
Capital expenditures	4.001	-
Acquisition of landfill	5.075	45
Amortization expense	(4.200)	
Obligations incurred and capitalized	328	328
Revisions to estimates of closure and post-closure activities	(1,412)	(1,412)
Interest accretion		257
December 31, 2004	\$ 56,263	2,223
Capital expenditures	8,878	
Acquisition of landfill	68,882	544
Amortization expense	(6,957)	
Obligations incurred and capitalized	301	301
Revisions to estimates of closure and post-closure activities	391	391
Interest accretion		159
December 31, 2005	\$ 127,758	3,618

Notes to Consolidated Financial Statements — Continued

The Company's liabilities for closure and post-closure costs for the years ended December 31, 2005, 2004 and 2003 are as follows (in thousands):

		December 31,		
		2005	2004	2003
Recorded amounts:				
Current portion		\$ 286	443	
Noncurrent portion	1	3,332	1,780	3,005
Total recorded		\$ 3,618	2,223	3,005

The Company's total anticipated cost for closure and post-closure activities is \$101.8 million, as measured in current dollars. The recorded liabilities as of December 31, 2005 include the impact of inflating these costs through the date the costs are estimated to be incurred and the discounting of these costs to present value. The Company believes the amount and timing of these activities are reasonably estimable. Anticipated payments of currently identified closure and post-closure liabilities for the next five years and thereafter are reflected below (in thousands):

2006	2007	2008	2009	2010	Thereafter
\$ 286	\$	\$	\$	\$	\$101,526

Where the Company believes that both the amount of a particular closure and post-closure liability and the timing of the payments are reliably determinable, the cost in current dollars is inflated (2.5% for each of the years ended December 31, 2005, 2004 and 2003) until expected time of payment and then discounted to present value (8.5% for each of the years ended December 31, 2005, 2004 and 2003). Accretion expense is applied to the closure and post-closure liability based on the effective interest method and is included in cost of services. Had the Company not discounted any portion of its liability, the amount recorded would have been \$14.0 million, \$9.9 million and \$9.9 million at December 31, 2005, 2004 and 2003, respectively.

Current Practice (Effective January 1, 2004)

The table below compares the Company's current practices of accounting for landfill closure and post-closure activities.

Description

Description	Current Practice (Effective January 1, 2003)
Definitions:	
Closure	Includes final capping event, final portion of methane gas collection system to be constructed, demobilization, and the routine maintenance costs incurred after site ceases to accept waste, but prior to being certified as closed.
Post-closure	Includes routine monitoring and maintenance of a landfill after it has closed, ceased to accept waste and been certified as closed by the applicable state regulatory agency.
Discount Rate: Cost Estimates:	Obligations discounted at a credit- adjusted, risk-free rate (8.5% for 2005, 2004 and 2003). Costs were estimated based on performance, principally by third parties, with a small portion performed by the Company, except that the cost of any activities performed internally must be increased to represent an estimate of the amount a third party would charge to perform such activity.
Inflation:	Inflation rate of 2.5% for 2005, 2004 and 2003.

Notes to Consolidated Financial Statements — Continued

Recognition of Assets and Liabilities:

Asset Retirement Cost An amount equal to the discounted cash flow associated with the fair value of closure and

post-closure obligation is recorded as an addition to capitalized landfill costs as airspace is

consumed.

Closure and Post-Closure

The discounted cash flow associated with the fair value of the liability is recorded with a corresponding increase in capitalized landfill costs as airspace is consumed. Accretion

expense is recorded to cost of services and the corresponding liability until the liability is

paid

Statement of Operations Expense:

Landfill asset amortization

Landfill asset is amortized to depreciation and amortization expense as airspace is consumed

over life of landfill.

Accretion Expense, charged to cost of services, is accreted at credit-adjusted, risk-free rate (8.5% for

2005, 2004 and 2003).

(g) Allocation of Acquisition Purchase Price

A summary of the Company's accounting for acquisitions is as follows:

Acquisition purchase price is allocated to identified intangible assets and tangible assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to goodwill.

The Company deems the total remaining airspace of an acquired landfill to be a tangible asset. Therefore, for acquired landfills, it initially allocates the purchase price to identified intangible and tangible assets acquired, including landfill airspace, and liabilities assumed based on their estimated fair values at the date of acquisition.

The Company may consummate single acquisitions that include a combination of collection operations and landfills. For each separately identified collection operation and landfill acquired in a single acquisition, the Company performs an initial allocation of total purchase price to the identified collection operations and landfills based on their relative fair values. Following this initial allocation of total purchase price to the identified collection operations and landfills, the Company further allocates the identified intangible assets and tangible assets acquired and liabilities assumed for each collection operation and landfill based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to either goodwill or landfill site costs, as discussed above.

The Company accrues the payment of contingent purchase price if the events surrounding the contingency are deemed probable. Contingent purchase price related to landfills is allocated to landfill site costs and contingent purchase price for acquisitions other than landfills is allocated to goodwill. There are currently no pending contingent amounts due relating to any prior acquisitions.

(h) Goodwill and Other Intangible Assets

Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their residual values, and reviewed for impairment.

Notes to Consolidated Financial Statements — Continued

The Company's intangible assets consist primarily of customer contracts, customer lists, and covenants not-to-compete. Customer contracts and customer lists are generally amortized over 15 to 20 years. Covenants not-to-compete are amortized over the term of the non-compete covenant, which is generally five years.

(i) Impairment of Long-Lived Assets

a desperanta de la compansión de la comp Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(i) Costs Incurred on Possible Acquisitions

Costs incurred on possible acquisitions are capitalized as incurred and consist primarily of third-party accounting, legal and other consulting fees as well as travel costs incurred in the negotiation and due diligence process, and nonrefundable down payments. Upon consummation of an acquisition accounted for as a purchase, deferred costs are capitalized as part of the purchase price. Capitalized costs are reviewed for reasonableness on a periodic basis, and costs that management believes relate to transactions that will not be consummated are charged to expense. During 2005, 2004 and 2003, the Company expensed \$70, \$7, and \$32, respectively, of such costs, which are included in general and administrative cost in WCA's consolidated statements of operations. At December 31, 2005 and 2004, \$314 and \$320 of such capitalized costs are reflected in other assets on WCA's consolidated balance sheets.

(k) Deferred Financing Costs

Deferred financing costs are amortized as a component of interest expense using the effective interest method. During 2005, 2004 and 2003, the Company expensed \$580, \$632, and \$873, respectively, of such costs, which are reflected as interest expense in WCA's consolidated statements of operations. In addition, the Company wrote off \$1,308 of deferred financing costs and debt discount in connection with the restructuring of its credit facility in April 2005 and the repayment of the Environmental Facilities Revenue Bonds in June 2005. The Company wrote off \$618 of deferred financing costs related to the amendment of the Company's credit facility in December 2004.

La Periodicia de Projet

(l) Interest Expense

Interest expense includes interest accrued on outstanding note payable and long-term debt, amortization of deferred financing costs, accretion of debt discount, and the change in the fair value of the Company's previous interest rate swap, which was not accounted for as a hedging instrument. For the years ended December 31, 2005, 2004 and 2003, interest expense consists of the following (in The second of the second of the second thousands):

	eren eren eren eren eren eren eren eren	ا المحروفي المعالم الأراد المعالم الراد	ing Na asang kalabih ara	ng ing sangang ang sangang sangang sa Sangang sangang sangan	2005	. <u>-</u>	2004		2003
Note payable and long-terr		the state of the s			\$ 9,851		3,801		5,818
Amortization of deferred f	inancing costs at			. 20.1	580	2.4.4	632	. !	873
Amortization of debt disco	ount				7	26.05	35		: 61
Interest rate swap	Same to the second	The second second second	The first of the				(14)	14.0	(1,527)
4			ν,		10,438		4,454		5,225
Less interest income			C. tere	iii kara a ii ka	72	: _	<u> </u>		5
Interest expense, net		and the second of the second o			\$10,366	. =	4,453		5,220
And the second of the second of			* *	-		• •			1

Notes to Consolidated Financial Statements — Continued

(m) Income Taxes

The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases based on enacted tax rates. The Company provides a valuation allowance when, based on management's estimates, it is more likely than not that a deferred tax asset will not be realized in future periods.

The Company was included in the consolidated federal income tax return of Old WCA for 2003. Income taxes have been calculated on a separate company basis consistent with the requirements of SFAS No. 109, *Accounting for Income Taxes*. All tax amounts have been provided to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Current income taxes payable are included with accrued liabilities on the Company's balance sheets. See note 5 "Certain Balance Sheet Accounts" for detail of accrued liabilities.

(n) Insurance

The Company has retained a portion of the risks related to its general liability, automobile and workers' compensation insurance programs. The exposure for unpaid claims and associated expenses, including incurred but not reported losses, is based on estimates of ultimate losses on claims and actuarially-determined development factors.

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(o) Revenue Recognition

The Company recognizes revenue upon the receipt and acceptance of non-hazardous industrial and municipal waste at its landfills. Revenue for collection services is recognized as the services are performed. Revenue for container rental is recognized over the rental period. In certain situations, the Company will bill for services in advance of the performance of these services. Such amounts are deferred until the services are subsequently performed.

(p) Derivative Financial Instruments

The Company accounts for derivatives and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities", as amended, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

The Company was previously required through the terms of its credit agreements to control market risk related to interest rates through the use of interest rate swap agreements. On October 17, 2000, the Company entered into a three-year interest rate swap agreement, expiring in October 2003, with an initial notional amount of \$50 million. Under the agreement, the Company received a floating rate and paid a fixed interest rate. The interest rate swap did not qualify for hedge accounting under SFAS No. 133 and was therefore marked to market annually. Changes in the fair value of the interest rate swap from period to period were recorded as a component of interest expense. For the year ended December 31, 2003, the Company recorded a reduction of interest expense of \$1,541 related to the change in fair value of this interest rate swap.

Effective October 31, 2003, the Company entered into a six-month interest rate swap agreement with a notional amount of \$19 million. Under the agreement, the Company received a floating rate and paid a fixed interest

Notes to Consolidated Financial Statements — Continued

rate. This interest rate swap did not qualify for hedge accounting under SFAS No. 133 and was therefore marked to market. Changes in the fair value of the interest rate swap from period to period were recorded as a component of interest expense. For the years ended December 31, 2004 and 2003, the Company recorded \$14 and \$(14) of additional interest income (expense), respectively, related to the change in fair value of the interest rate swap:

Effective November 1, 2005, the Company entered into an interest rate swap agreement with a notional amount of \$150 million. Under the agreement, the Company receives a floating rate of interest based on LIBOR and pays a fixed rate of 4.885% through maturity of the swap in November 2010. The Company has designated this swap agreement as a cash flow hedge of the variability of forecasted interest payments on current and future floating-rate debt obligations. Therefore changes in the fair market value of the swap agreement are reflected in other comprehensive income (loss). For the year ended December 31, 2005, the Company recorded \$711 in long-term liabilities, net of deferred taxes of \$280, and \$431 as an unrealized loss within accumulated other comprehensive loss.

(q) Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments". The carrying values of cash and cash equivalents, accounts receivable, accounts payable, derivatives, accrued expenses, and long-term debt, approximate fair value.

(r) Stock-Based Compensation

The Company accounts for stock-based compensation under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Under this method, the Company recorded no compensation expense for stock options granted to employees when the exercise price of the options is equal to or greater than the fair market value of common stock on the date of grant. As discussed in note 1(y), the adoption of SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R)) will result in recognition of compensation expense beginning in the first quarter of 2006, and thus may impact the Company's future results of operations.

On December 22, 2005, in response to SFAS 123(R), the Company's Board of Directors approved accelerating the vesting of all outstanding "out-of-the-money" unvested stock options. All outstanding stock options had exercise prices in excess of the closing price of \$7.40 on December 22, 2005, the effective date of the acceleration.

The decision to accelerate vesting of these options was made to avoid recognizing compensation cost in the statement of operations in future financial statements subsequent to the adoption of SFAS 123(R). It is estimated that the maximum future compensation expense that will be avoided is approximately \$1,058, before tax, based on the Company's adoption date on January 1, 2006. The vesting acceleration did not result in the recognition of compensation expense in net income for the year ended December 31, 2005. The pro-forma disclosure presented below includes approximately \$1.8 million (\$1.1 million, net of tax) of compensation expense for the year ended December 31, 2005.

Notes to Consolidated Financial Statements — Continued

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method described above. The fair value calculations at the date of grant using the Black-Scholes option pricing model were calculated with the following weighted average assumptions:

		and the same at the same	2005	2004	2003
Risk-free interest rate			3.4%	2.8%	3.9%
Volatility factor of stock price	the state of the s		0.35	0.37	n/a
Dividends					and the second of the second o
Option life		f. 19	4 years	4 years	10 years
Calculated fair value per share			\$ 3.35	3.14	0.00

Had compensation expense for the options granted to employees been determined based on the fair value at the grant date, consistent with the provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per share for the years ended December 31, 2005, 2004 and 2003 would have been adjusted to the pro forma amounts indicated below (in thousands, except per share data):

and the second of the second o	2005	2004	2003
Net income (loss) — as reported	\$ 3,468	(4,364)	5,078
Stock-based employee compensation expense included in reported net income, net of	• • • •		
tax	· · · <u>-</u> ·	7,496	793
Stock-based employee compensation expense determined under fair value based	. •		
methods, net of tax	(1,072)	(7,851)	(158)
Net income (loss) — pro forma	\$ 2,396	(4,719)	5,713
Earnings (loss) per share — basic and diluted	\$ 0.22	(0.38)	0.63
Pro forma earnings (loss) per share — basic and diluted	\$ 0.15	(0.41)	0.71

(s) Earnings per Share

Basic and diluted earnings per share have been calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. As discussed in note 1(b) "Internal Reorganization and Basis of Presentation", during 2004, the Company issued 1,330,056 shares (after giving effect to a merger and reverse stock split) of common stock in settlement of previously outstanding options and warrants of Old WCA. In accordance with the guidance of SFAS No. 128, this transaction is considered to be a part of a recapitalization and is treated consistent with a stock dividend or stock split, and therefore is reflected retroactively in the computation of earnings per share. Accordingly, these shares are included in the weighted average shares outstanding for all periods presented.

(t) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high-quality financial institutions and limits the amount of credit exposure with any one institution. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers comprise the Company's customer base, thus spreading the trade credit risk. At December 31, 2005, 2004 and 2003, no single group or customer represents greater than 10% of total accounts receivable.

Notes to Consolidated Financial Statements — Continued

(u) Distributions to Old WCA

Prior to the June 2004 reorganization discussed in note 1(b), the Company entered into transactions with Old WCA for, among other things, allocations of corporate charges and services, allocation and adjustment of tax attributes, and the 2003 transfer of subsidiaries from Old WCA. The net amount due to Old WCA at the end of each fiscal year was classified as distributions to Old WCA in the accompanying consolidated statement of stockholders' equity.

(v) Allocation of Expenses

Prior to the reorganization discussed in note 1(b), the Company was a wholly owned-subsidiary of Old WCA and shared common management, general and administrative and overhead costs. The cost for these services were incurred by the Company and allocated to Old WCA and Old WCA's other subsidiaries. The Company allocated these costs based upon an average of each entity's respective proportion of total headcount and total revenues, both of which produce comparable allocation percentages, Management believes that these two bases of allocation of expenses provided the most relevant and reasonable method of allocating these costs to the respective operations. In connection with the reorganization, the Company entered into an administrative services agreement with Old WCA where Old WCA will pay a monthly fee of approximately \$40 for administrative services, including executive officers, other employees, administrative systems, service and facilities. In response to decreases in Old WCA's assets and operations, the monthly administrative fees were reduced to \$30 starting in October 2005 and \$20 starting in January 2006. Such fees were further reduced to \$10 starting in February 2006 upon the completion of the Company's acquisition of Transit Waste from Old WCA. During the years ended December 31, 2005, 2004 and 2003, the Company allocated costs totaling \$450, \$511 and \$465, respectively, to Old WCA. WCA's senior management serve as officers of Old WCA. It is impracticable to estimate the amount of expenses that would have been incurred in each of the three years ended December 31, 2005 had the Company been an unaffiliated entity of Old WCA. There has been no allocation of debt or interest expense between the Company and Old WCA as both entities have incurred their own debt in order to finance their operations. There is no inter-company debt between the Company and Old WCA, and the Company does not receive proceeds from any debt incurred by Old WCA.

(w) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation. In 2005 the Company has separately disclosed the operating, investing and financing portions of the cash flows attributable to its 2003 discontinued operations, which in prior periods were reported on a combined basis as a single amount.

(x) Segment Information

The Company's revenues are derived from one industry segment, which includes collection, transfer and disposal of non-hazardous solid waste primarily in the central and southern United States. The Company considers each of its seven operating states to be a geographic segment as each state includes vertically integrated operations, reports stand-alone financial information and has a respective operating manager or state president that reports to the Company's chief operating officer. The states of Kansas and Missouri are combined as one segment due to the reporting structure and the vertical integration of the related operations. See note 12 "Segment Reporting" for geographic information relating to the Company's operations.

Notes to Consolidated Financial Statements — Continued

(y) New Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R)), which revises Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS No. 123) and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees". In general, SFAS No. 123(R) does not change the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based awards to employees to be recognized as compensation expense based on the fair value of the award at the date of grant. As such, the intrinsic value method permitted by SFAS No. 123 is no longer an alternative.

The Company will adopt SFAS No. 123(R) effective January 1, 2006. There were no unvested options outstanding as of December 31, 2005. Accordingly, the initial adoption of SFAS No. 123(R) is not anticipated to have any effect on the Company's financial statements, but will require the recognition of compensation expense associated with future option grants, if any.

(2) Use of Estimates

In preparing the Company's financial statements, several estimates and assumptions are made that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain of the information that is used in the preparation of the Company's financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is simply not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. The most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty are related to the Company's accounting for landfills, asset impairments, and insurance claims as described below.

Accounting for landfills. The Company utilizes the units of production method to amortize landfill construction costs over the estimated remaining capacity of a landfill. Under this method the Company includes future estimated landfill development costs, as well as costs incurred to date, in the amortization base. Additionally, the Company includes deemed permitted expansion airspace, which has not been permitted, in the calculation of the total remaining capacity of the landfill.

This accounting method requires the Company to make estimates and assumptions, as described below. Any changes in the Company's estimates will impact the Company's income from operations prospectively from the date changes are made. Landfill costs. The Company estimates the total cost to develop each landfill site to its final capacity. This includes certain projected landfill site costs that are uncertain because they are dependent on future events. The total cost to develop a site to its final capacity includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs, operating construction costs, permitting cost of expansions and capitalized interest costs.

Closure and post-closure costs. The costs for closure and post-closure obligations at landfills the Company owns or operates are generally estimated based on interpretations of current requirements and proposed or anticipated regulatory changes. The estimates for landfill closure and post-closure costs also consider when the costs would actually be paid and factor in inflation and discount rates. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption less certain.

Notes to Consolidated Financial Statements — Continued

Available airspace. The Company's engineers determine the remaining capacity at landfills by estimating the available airspace. This is done by using surveys and other methods to calculate, based on height restrictions and other factors, how much airspace is left to fill and how much waste can be disposed of at a landfill before it has reached its final capacity.

Expansion airspace. The Company will also consider currently unpermitted airspace in the estimate of remaining capacity in certain circumstances. See note 1(f) "Landfill Accounting — Capitalized Landfill Costs" for further explanation.

It is possible that the Company's estimates or assumptions will ultimately turn out to be significantly different from actual results. In some cases the Company may be unsuccessful in obtaining an expansion permit or the Company may determine that an expansion permit that the Company previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or the belief that the Company will receive an expansion permit changes adversely in a significant manner, the costs of the landfill, including the costs incurred in the pursuit of the expansion, may be subject to impairment testing, as described below, and lower profitability may be experienced due to higher amortization rates, and higher expenses or asset impairments related to the removal of previously included expansion airspace. Asset Impairments. Accounting standards require that assets be written down if they become impaired. If significant events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, a test of recoverability is performed by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If the carrying values are in excess of undiscounted expected future cash flows, impairment is measured by comparing the fair value of the asset to its carrying value. Fair value is determined by an internally developed discounted projected cash flow analysis of the asset. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company will determine whether an impairment has occurred for the group of assets for which the projected cash flows can be identified. If the fair value of an asset is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. Several impairment indicators are beyond the Company's control, and cannot be predicted with any certainty whether or not they will occur. Estimating

Allowance for Doubtful Accounts. The Company estimates losses for uncollectible accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable.

considerations for impairments of landfills and goodwill as discussed in note 1(f).

future cash flows requires significant judgment and projections may vary from cash flows eventually realized. Also, there are other

Acquisition Accounting. The Company estimates the fair value of assets and liabilities when allocating the purchase price of an acquisition.

Income Taxes. The Company assumes the deductibility of certain costs in its income tax filings and estimates the future recovery of deferred tax assets.

Insurance claims reserves. The Company accrues claims related to our self-insurance programs based on claims filed, estimated open claims and claims incurred but not reported based on actuarial-based loss development factors.

Notes to Consolidated Financial Statements — Continued

Contingent Liabilities. The Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with SFAS No. 5, "Accounting for Contingencies."

Actual results could differ materially from the estimates and assumptions that the Company uses in the preparation of its financial statements.

(3) Acquisitions.

During 2005, the Company completed 10 acquisition transactions, including one acquisition from Old WCA (see note 14). Total consideration for these transactions was \$119.1 million, including cash consideration of \$92.0 million primarily funded with proceeds from the Company's credit facilities. Other consideration included \$1.5 million in convertible debt, \$6.6 million in debt assumed, net of discount, \$5.6 million in deferred tax liabilities assumed and 1,474,694 shares of common stock valued at \$13.4 million. Contemporaneously with one acquisition, certain individuals affiliated with the seller purchased \$2.5 million in convertible debt. These acquisitions resulted in the addition of one MSW landfill, four C&D landfills, four collection operations, six transfer stations/MRFs. Two of the acquisitions (MRR Southern and Meyer & Gabbert) were deemed significant as defined by the SEC. The consolidated financial statements included herein include the results of MRR Southern and Meyer & Gabbert from April 3, 2005 and October 3, 2005, respectively. The following unaudited pro forma results of operations have been prepared assuming that the acquisition had occurred at the beginning of each period (in thousands, except per share data). This pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisitions been made on those dates, or of results which may occur in the future (unaudited).

		Year Ended December		
		2005	2004	
Revenue		\$ 126,541	\$91,501	
Operating income		20,064	2,285	
Net income (loss)		4,330	(3,703)	
Per share data:		•		
Net income (loss) —	- basic	0.27	(0.31)	
Net income (loss) —	- diluted	0.27	(0.31)	

During 2004, the Company completed seven acquisition transactions. Total consideration for these transactions was \$35.9 million including cash consideration of \$31.3 million primarily funded with proceeds from the Company's revolving credit facility. Other consideration included \$3.0 million in convertible debt and 263,158 shares of restricted common stock valued at \$1.6 million. These restrictions lapse in July 2007. These acquisitions resulted in the addition of one C&D landfill, four collection operations and three transfer stations.

During 2003, the Company purchased a fully permitted but not yet constructed C&D landfill located adjacent to one of the Company's currently operating C&D landfills in Houston, Texas. This landfill had no operations during the period ended December 31, 2003. The purchase price for the landfill was \$7.9 million, which was consummated with a \$6.6 million cash payment and issuance of 350,000 shares of common stock of Old WCA. The contribution of Old WCA's common stock was accounted for as a capital contribution of \$1,309 to the Company.

Notes to Consolidated Financial Statements — Continued

Allocation of purchase price, including the costs incurred to complete the acquisition and any additional costs incurred relating to prior year acquisitions, has been allocated as follows (in thousands):

and the control of th	ş		or support	
المراوعين والمراوي والمستقبل والمستقبل والمناوي والمناوي والمناوي والمناوي والمناوي والمناوي والمناوي		2005	2004	2003
Restricted cash		\$ 737		
Accounts receivable		1,925	552	·
Prepaid expenses and other		29	11.	
Property and equipment, net	1 7.	91,674	15,068	7,714
Goodwill		24,945	17,667	
Intangible assets	· •	2,252	3,060	· · <u>-</u>
Accounts payable and accrued liabilities		(706)	(441)	
Capital contribution from Old WCA				(1,309)
en de la composition de la composition La composition de la		\$ 120,856	35,917	6,405

The table above reflected \$1.7 million of purchase price adjustments relating to the 2004 acquisitions including a \$1.0 million earn-out payment related to an acquisition in 2004. Additionally, during 2003, purchase price adjustment entries relating to the 2002 acquisition were made resulting in a \$119 reduction in goodwill and a \$152 reduction in accrued liabilities related to the favorable settlement of certain pre-acquisition contingencies.

In connection with a certain prior acquisition, the Company acquired prepaid disposal rights at certain of the seller's landfills. These rights expire at the earlier of September 2010 or the usage of two million cubic yards. The Company can utilize these rights to dispose of MSW or C&D waste at the specified landfills. The estimated 2006 usage of \$1,976 is included as a current asset in prepaid and other assets and the remaining amount of \$714 is reflected as a long-term asset in other assets, at December 31, 2005. During the years ended December 31, 2005, 2004, and 2003, the Company utilized \$1,834, \$377, and \$1,609, respectively, of prepaid disposal rights, which is included as a cost of service in both continuing and discontinued operations in the related statements of operations.

(4) Earnings per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted earnings (loss) per share is computed using the treasury stock method for common stock equivalents. The detail of the earnings (loss) per share calculations for net income (loss) for the years ended December 31, 2005, 2004 and 2003 is as follows (in thousands, except per share data):

			ear Ended December 31	, 2005
		Net		Per share
	11	income	Shares	amount
Earnings per share, basic		\$ 3,468	15,579	\$ 0.22
Dilutive effect of common stock options			5	· · · · · · · · · · · · · · · · · · ·
Dilutive effect of restricted share issuances			57	
Earnings per share, diluted	100	\$ 3,468	15,641	\$ 0.22

	Year Ended December 31, 2004			
	Net		Per share	
	loss	Shares	amount	
Loss per share, basic	\$ (4,364)	11,599	\$ (0.38)	
Dilutive effect of common stock options		· _	-	
Dilutive effect of restricted share issuances		-		
Loss per share, diluted	\$ (4,364)	11,599	\$ (0.38)	

WCA WASTE CORPORATION AND SUBSIDIARIES (FORMERLY WCA WASTE SYSTEMS, INC.) Notes to Consolidated Financial Statements — Continued

A MARINE AND A STATE OF A STATE O	Year l	Ended December 31,	2003
	Net income	Shares	Per share amount
Earnings per share, basic	\$ 5,078	8,000	\$ 0.63
Dilutive effect of common stock options		<u></u>	·
Earnings per share, diluted	\$ 5,078	8,000	\$ 0.63
For the years ended December 31, 2005 and 2004, 635,728 shares and 250,000 convertible notes payable were excluded from the computation of earnings (loss for the year ended December 31, 2004, options and warrants to purchase 900,00 computation of earnings (loss) per share as the Company reported a loss. For the no potentially dilutive common stock instruments outstanding. There have been denominator used in calculating basic earnings per share for any of the periods periods of the) per share as they were 0 shares of common sto e year ended December no adjustments to either	anti-dilutive: Ad ck were excluded 31, 2003, the Cor	ditionally, from the npany had
Allowance for Doubtful Accounts	4h dad Daa		104 4 2002
The following summarizes the activity in the allowance for doubtful accounts for the user delta	or the years ended Decer	nber 31, 2003, 20	104 and 2003
(in thousands):		i i	
	2005	2004	2003
Balance, beginning of year	\$ 575	177	239
Amounts charged to expense	1,002	715	376
Amounts written off, net of amounts recovered	(387)	(317)	(438)
Balance, end of year	\$ 1,190	575	177
Prepaid Expenses and Other			•
Prepaid expenses and other consist of the following at December 31, 2005 and 2	2004 (in thousands):		**
en e	name i serie serie	2005	2004
Prepaid insurance premiums		\$ 121	2,374
Prefunded insurance claims		1,534	1,068
Prepaid disposal rights		1,976	720
Other will also the word materials and the street of the s		1,097	646
		\$ 4,728	4,808
Property and Equipment	A. C. a. da 1. N	•	
Property and equipment consist of the following at December 31, 2005 and 200	4 (in thousands):	•	e 1
and the company of th		2005	2004
Land and landfills		\$ 163,588	74,593
Vehicles and equipment	A STATE OF THE STA	42,568	27,439
Containers	at the transport of the contract of the contra	18,534	14,134
Buildings and improvements	a week here all as March to the person of the	7,252	5,804
Computers and software	de commence de la	689	456
Furniture and fixtures		359	252
	CONTRACTOR OF CONTRACTOR	232,990	122,678
Less accumulated depreciation and amortization	and the second s	46,691	32,157
and the control of th	tan and wind and a	\$ 186,299	90,521
and the second of the second o	As recognitive supposed to the second		

Notes to Consolidated Financial Statements — Continued

Other Assets

Other assets consist of the following at December 31, 2005 and 2004 (in thousands):

Prepaid disposal rights Costs incurred on possible acquisitions Deposits Accrued Liabilities Accrued liabilities consist of the following at December 31, 2005 and 2004 (in thousands): Accrued insurance claims Accrued payroll costs	\$ 1, 200 \$ 2,	· .	2,80: 320 9: 3,218
Accrued Liabilities Accrued liabilities consist of the following at December 31, 2005 and 2004 (in thousands): Accrued insurance claims	\$ 1, 200 \$ 2,0	100 128	3,21
Accrued Liabilities Accrued liabilities consist of the following at December 31, 2005 and 2004 (in thousands): Accrued insurance claims	\$ 1, 200 \$ 2,0	128	3,21
Accrued liabilities consist of the following at December 31, 2005 and 2004 (in thousands): Accrued insurance claims	200 \$ 2,0)5	2004
Accrued liabilities consist of the following at December 31, 2005 and 2004 (in thousands): Accrued insurance claims	\$ 2,		'———
Accrued insurance claims	\$ 2,		·———
and the second control of the second control	\$ 2,		'———
and the second control of the second control	\$ 2,		·———
and the approximate the approx	a see a		1,53
Accrued payron costs.	. و کے ،	237	1,25
Deferred revenue	1,	166	1,04
Accrued taxes		345	69
Accrued interest		389	10
Other	1,0	079	92
the state of the s	\$ 7.	265	5,55
(6) Goodwill and Other Intangible Assets	· · · · · · · · · · · · · · · · · · ·	 ···	* *
The changes in the carrying amount of goodwill for the periods indicated are as follows (in thous	sands):		•
	1 1		
Balance, December 31, 2003		\$	29,843
Acquisitions			17,667
Balance, December 31, 2004	· · · · · · · ·	\$	47,510
Acquisitions			24,945
Balance, December 31, 2005		\$	72,455
The Company performs an annual impairment test of its goodwill. The Company estimated the fa	air value of each	reporting	g unit by

The Company performs an annual impairment test of its goodwill. The Company estimated the fair value of each reporting unit by utilizing the anticipated discounted cash flow of the reporting unit's. To the extent the carrying amount of a reporting unit exceeded the fair value of the reporting unit, the Company would be required to perform the second step of the impairment test, as this is an indication that the reporting unit goodwill may be impaired. This step was not required for any of the Company's reporting units and accordingly no impairment of goodwill was indicated in connection with the annual impairment test during 2005, 2004 or 2003.

Notes to Consolidated Financial Statements — Continued

Intangible assets, all of which are subject to amortization, consist of the following at December 31, 2005 and 2004 (in thousands):

	en e			stomer	Covenants	
			Contr	acts and	Not-to-	
and the second s	y a v come o go contratamental manifestation	·	Custo	mer Lists	Compete	Total
December 31, 2005		رد از همروزي و سست				
Intangible assets		The state of the s	<u> </u>	5,120	219	5,339
Less accumulated amortization	Seemingaria i a si	Carlos com carronara questa concensionara	Management of the state of the	246	52	
		* 4	, 4, 4, 4, 4, 5	4,874	167	5,041
the state of the s	n en er græn mangen sammengfagnig					
December 31, 2004	1				•	
Intangible assets			\$	2,990	110	3,100
Less accumulated amortization				47	34	81
	.a		\$	2,943	76	3,019
Amortization expense for these intangible assets amortization expense estimated as of December	31, 2005, for	the five years	following 2005	is as follow		
\$ 313 \$ 310	200	310	- Z	306	<u>c</u>	2010
(7) Long-Term Debt	J.	310	Φ.	300	D :	. 3
Long-term debt consists of the following at Dec	ember 31 200	5 and 2004 (in thousands)	. 15	•	
Bong term door to not on the rone wing at Bot			mousunds).			
	-		al distribution of the second	* * * * * * * * * * * * * * * * * * *	2005	2004
Term B Loan, principal payable \$250,000 per que based on LIBOR plus a margin (7.72% at Do Second Lien Credit Agreement, maturing in Oct.	ecember 31, 20	005)	Collection and the Collection of the Collection		\$ 99,250	A STATE OF THE STA
plus a margin (10.72% at December 31, 200	5)				25,000	· · · · · · · · · · · · · · · · · · ·
Revolving note payable with a financial institution based on LIBOR plus a margin (7.72% at De			variable interest	rate	37,723	
Revolving note payable with a financial institution	on, variable in	terest rate bas	sed on LIBOR pl	ıs a		46,900
Environmental Facilities Revenue Bonds, principin 2020, interest rate ranging from 8.5% to 9 2005)					6,480	
Environmental Facilities Revenue Bonds, principal variable interest rate	pal payable in	varying quart	erly installments	with		22,500
Notes payable to banks and financial institutions	interest range	ing from 5 00.	6 to 7 80/ novah			22,300
monthly through August 2008	, microst rang	mg IIOIII 2.87	o to 7.070, payao:		506	486
Note payable, with interest rate of 5%, due in Ja	nuary 2010		- April - ma	gradificações e el todo com o	200	
Seller note, with interest rate of 6%, due in May	The second of th	AND THE STATE OF T	TOMORRADO - ANTI-ORIGINA MATERIA DE SERVICIO - ANTI-ORIGINA DE SERVICIO - A		444	444
Seller convertible note, with interest rate of 5%,		her 2009	ST IN COURSE OF THE P. S. SECTION STREET		3,000	3,000
Seller convertible notes, with interest rate of 3%,		ひしょ ムロリフ			an action a same of the first	3,000
Sener convertible notes, with interest rate of 570				may district the same of the company	4,000	72 220
					176,603	73,330
Less debt discount					176,603 341	87
					176,603	

Notes to Consolidated Financial Statements — Continued

The Company maintains a credit facility with a syndicate of banks. The current facility was entered into on April 28, 2005, amending and replacing the December 2004 credit facility. The current facility includes a First Lien Credit Agreement (the "First Lien Credit Agreement") and a Second Lien Credit Agreement (the "Second Lien Credit Agreement").

The total credit available immediately under the facility is \$225 million. The aggregate revolving credit commitments available under the First Lien Credit Agreement total \$200 million, consisting of a \$100 million revolving line of credit and a \$100 million Term B loan (the "Term B Loan"). The Second Lien Credit Agreement provides for a second lien term loan in the amount of \$25 million (the "Second Lien Term Loan"). The proceeds of the Credit Agreements will be used for acquisitions, equipment purchases, landfill construction and development, standby letters of credit, general corporate purposes, and the repayment of other long-term debt obligations. Subcategories under the revolving line of credit include a subfacility for standby letters of credit in the aggregate principal amount of up to \$30 million and a swing line feature for up to \$10 million for same day advances. The revolving line of credit under the First Lien Credit Agreement will mature on April 28, 2010 and the Term B Loan will mature on April 28, 2011 unless the commitments thereunder are terminated or prepaid in full at an earlier date. The Second Lien Credit Agreement will mature on October 28, 2011. The credit facilities bear interest at a base rate plus a variable margin rate depending on the overall leverage ratio of the Company at the time of renewal. At December 31, 2005, \$37.7 million was outstanding on the revolving line of credit and \$8.2 million in letters of credit had been issued against the revolving line of credit leaving \$54.1 million available to the Company. The credit facility is secured by liens on all of the Company's and its subsidiaries' assets.

The Company assumed certain Environmental Facilities Revenue Bonds in connection with the October 2005 acquisition of a landfill located near Fort Meade, Florida. At the time of the acquisition, there was restricted cash on hand of \$0.7 million associated with the debt.

In conjunction with one acquisition during 2005, the Company issued convertible notes in the amount of \$4.0 million. The notes and any accrued but unpaid interest are convertible into shares of common stock at the rate of \$10.37 per share. The holders of the note may convert at any time after February 1, 2006. The Company can force conversion if the closing price of the Company's common stock exceeds \$15.00 per share.

In conjunction with one acquisition during 2004, the Company issued a convertible note in the amount of \$3.0 million. The note and any accrued but unpaid interest are convertible into shares of common stock at the rate of \$12.00 per share. The holder of the note may convert at any time after December 1, 2005. The Company can force conversion if the closing price of the Company's common stock exceeds \$18.00 per share.

The Company has entered into interest rate swap agreements from time to time. Effective November 1, 2005, the Company entered into a \$150 million five-year swap agreement where the Company pays 4.885% fixed and receives three-month LIBOR floating interest. See note 1(p) "Derivative Financial Instruments" for further discussion of the accounting for and valuation of this interest rate swap agreement.

Notes to Consolidated Financial Statements — Continued

The aggregate payments of long-term debt outstanding at December 31, 2005 are as follows (in thousands):

2006	The state of the s	\$ 1,910
2007		1,444
2008		1,316
2009		4,285
2010	The second of th	43,233
Thereafter		124,415
and writer and the	The second control of	\$ 176,603

The Company is required to remain in compliance with various covenants of its credit facility. At December 31, 2005, the Company was required to maintain a senior debt leverage ratio of 4.25 times earnings before interest, taxes, depreciation and amortization (EBITDA), and as specifically defined in the credit agreement, a debt service ratio of 1.25 times EBIT and certain levels of net worth adjusted for current earnings. Additionally, the Company's primary operating subsidiary is prohibited from paying a cash dividend to the Company under the terms of the credit facility. The Company was in compliance with the financial covenants at December 31, 2005.

(8) Note Payable

In June 2005, the Company issued note payable for \$266, to a financial institution to fund the payment of general insurance premiums. The note bears interest at 4.94%, and principal and interest are payable monthly through April 2006.

(9) Stockholders' Equity

During 2005, the Company issued 1,474,694 shares of common stock to sellers in connection with four separate acquisition transactions. The average value of these shares at those issuance dates was \$13.4 million.

Additionally, during 2005 and 2004 a total of 203,420 and 2,000 restricted shares of our common stock were granted to certain officers and key employees with an aggregate market value of \$2.0 million on the grant dates. This value was included as unearned compensation within the stockholders' equity section of the accompanying consolidated balance sheet. Generally, one-third of the restrictions lapse at the end of each anniversary after the date of grant. The value of the restricted shares is being amortized to expense over that period. During the year ended December 31, 2005, a total of \$0.5 million of stock compensation expense related to these restricted shares was recognized.

The following table reflects the restricted share activity for the Company during 2005 (in thousands):

		2005	2004		
	Unearned				
Outstanding of hasinging of years	Snares	Compensation	Snares	Compensatio	
Outstanding at beginning of year		· · · · · · · · · · · · · · · · · · ·	-	5 — .	
Grants	204	1,963	2		
Forfeitures	(2)	(13)		<u> </u>	
Amortization of unearned compensation		(509)			
Outstanding at end of year	204	<u>\$ 1,441</u>	2	<u>\$</u>	

Notes to Consolidated Financial Statements — Continued

On June 28, 2004, the Company completed its initial public offering and issued 6,587,947 new shares to the public at an aggregate price of \$9.50 per share before a 7% underwriting discount. Net proceeds of the offering after deducting underwriting discounts and offering expenses were \$55.0 million.

Old WCA established the Waste Corporation of America Non-Qualified Stock Option Plan (the Old Plan) for the benefit of the employees of each of its wholly-owned subsidiaries. The stock options provided different methods of exercising the options at the option of the employee. As a result of these provisions, the Company was required to utilize variable plan accounting for these options, which required the Company to recognize a compensation charge on a periodic basis for the difference between the exercise price of the option and the fair value of the underlying common stock. For the year ended December 31, 2003, the Company recorded a non-cash compensation charge of \$1.2 million for options where the fair value of the underlying common stock exceeded the exercise price of the options. Prior to the Company's initial public offering, the Company's corporate structure was reorganized. In conjunction with the reorganization, WCA assumed the obligation to issue stock upon the exercise of options and warrants that Waste Corporation of America had previously issued. Thereafter, all "in-the-money" options and warrants totaling approximately 90% of the outstanding options and warrants were cancelled by the issuance of 1,330,056 shares (after giving effect to a merger and reverse stock split prior to the Company's initial public offering) of common stock of the Company. The remaining outstanding options and warrants which were assumed by the Company at the initial public offering could be converted to 247,000 shares of Company common stock. Subsequent to the offering, warrants to purchase 13,000 shares were forfeited. The remaining warrants expired unexercised during 2005. The restructuring led to a compensation charge based on the estimated fair value of the stock issued in cancellation of the options and warrants. Total stock-based compensation expense during the year ended December 31, 2004 was \$11.5 million (\$7.5 million net of tax benefit). Of this amount, \$6.8 million was non-cash with the balance withheld and remitted for withholding of payroll taxes.

Upon the completion of the initial public offering in 2004, the Company established the 2004 WCA Waste Corporation Incentive Plan. The plan authorizes the issuance of up to 1,500,000 shares. As of December 31, 2005, there were 652,000 remaining shares authorized for issuance.

The following table reflects the option and warrant activity for the Company during 2005 (in thousands, except per share data):

		2005	<u> </u>		2004	
en en en skalte en	, ,		Weighted Average			Weighted Average
and the second of the second o	Shares	Ex	ercise Price	Shares	. <u> </u>	Exercise Price
Outstanding at beginning of year	900	\$	11.33	247	\$	16.92
Grants	6		10.39	670		9.51
Forfeitures	(262)		15.76	(17)		20.93
Outstanding at end of year	644	\$	9.52	900	\$	11.33

The following table summarizes information about the stock options outstanding at December 31, 2005 (in thousands, except per share data):

•		** 1				Outstanding and Exercisable		
		:	•	· ·		Weighted	Weighted	
					Number	4		
Range of					of	Average	Average	
Exercise Prices	•				Shares	Exercise Price	Remaining Life	
9.50					629	\$ 9.50	8.5	
10.28 - 10.48					15	10.38	9.0	
· · · · · · · · · · · · · · · · · · ·		And the second s			644	\$ 9.52	8.5	

Notes to Consolidated Financial Statements — Continued

(10) Employee Benefit Plan

Effective February 1, 2000, the Company began sponsoring a 401(k) Profit Sharing Plan for its eligible employees. Under the plan, eligible employees are permitted to make salary deferrals of up to \$14 annually, the current Internal Revenue Service limitation. Salary deferrals will be matched 25% by WCA, subject to IRS limitations, and employees are 100% vested in these matching contributions after three years of service with the Company. Salary deferrals are 100% vested at all times. Matching contributions to the plan for the years ended December 31, 2005, 2004, and 2003 totaled \$144, \$136, and \$114, respectively.

(11) Income Taxes

The Company's provision for income taxes is determined by applying the Company's effective income tax rate to pre-tax financial reporting income, adjusted for permanent book-tax differences. The Company's total income tax benefit (provision) for the periods reported were allocated as follows (in thousands):

	2005	2004	2003
Loss (income) from continuing operations	\$ (2,248)	2,476	(1,753)
Loss from discontinued operations			91
Gain from disposal of discontinued operations			(146)
Cumulative effect of change in accounting principle	<u> </u>		(1,425)
Income tax benefit (provision)	\$ (2,248)	2,476	(3,233)

The Company's federal and state income tax benefit (provision) attributable to income from continuing operations for the periods reported consist of the following (in thousands):

	الروايين والمراجع وال	to the second	2005	2004	2003
Current		رادين المستحدان واللذا الرادي والمحدد العدد مراف	\$ (103)	(1)	${(1)^{1}}$
			14		(
Deferred		e de la companya del companya de la companya del companya de la co	(2,145)	2,477	1,752)
Income	tax benefit (provision)		\$ (2,248)	2,476	(

At December 31, 2005 and 2004, the individually significant components that comprise the Company's deferred tax assets and liabilities are as follows (in thousands):

	2005	2004
Deferred tax assets:		
Federal net operating loss carryforward	\$ 12,157	12,834
State net operating loss carryforward	3,050	2,547
Other	2,279	258
Stock-based compensation	200	
Deferred tax assets before valuation allowance	17,686	15,639
Valuation allowance	(2,438)	(2,085)
Deferred tax assets after valuation allowance	15,248	13,554
Deferred tax liabilities:		
Excess of book basis over tax basis of property	(18,527)	(9,970)
Prepaid expenses	(351)	(481)
Other	(1,225)	(546)
Deferred tax liabilities	(20,103)	(10,997)
Net deferred tax assets (liabilities)	\$ (4,855)	2,557

Notes to Consolidated Financial Statements — Continued

At December 31, 2005, the Company had a federal net operating loss carryforward (NOL) of approximately \$35.2 million and which if not utilized will begin to expire in 2020. Additionally the Company has state NOLs of approximately \$75.4 million, which, if not utilized, will expire beginning in 2007. The amount of the NOLs that can be utilized to offset taxable income in any individual year may be severely limited. Accordingly, the Company has established valuation allowances against the deferred tax assets associated with a portion of these NOL's. The valuation allowance for deferred tax assets as of December 31, 2005 and 2004 was \$2,438 and \$2,085, respectively. The net change in the total valuation allowance for the years ended December 31, 2005, 2004 and 2003 was an increase (decrease) of \$353, \$348 and \$(183), respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2005.

The table below reconciles the Company's statutory income tax benefit (provision) attributable to income from continuing operations to its effective income tax benefit (provision) at December 31, 2005, 2004 and 2003 (in thousands):

	2005	2004	2003
Statutory federal tax benefit (provision)	\$ (2,001)	2,396	$\frac{2005}{(1,545)}$
State income tax benefit (provision), net of federal tax benefit	198	491	(231)
Adjustment of valuation allowance	(353)	(348)	183
Nondeductible expenses and other	(92)	(63)	(160)
Effective tax benefit (provision)	<u>\$ (2,248)</u>	2,476	(1,753)

(12) Segment Reporting

The Company's operations consist of the collection, transfer and disposal of non-hazardous construction and demolition debris and industrial and municipal solid waste. Revenues are generated primarily from our collection operations to residential, commercial and roll-off customers and landfill disposal services. The following table reflects total revenue by source for the years ended December 31, 2005, 2004 and 2003 (in thousands).

· · · · · · · · · · · · · · · · · · ·			
and the state of t	2005	2004	2003
Collection:			
Residential	\$ 19,128	12,615	11,272
Commercial	13,847	12,002	12,056
Roll-off	36,811	22,878	18,175
Other		586	258
Total collection	69,786	48,081	41,761
Disposal	48,817	30,536	28,460
Less intercompany	18,215	9,789	7,413
Disposal, net	30,602	20,747	21,047
Transfer and other	24,309	11,5,75	7,934
Less intercompany	1.0,554	6,942	6,516
Transfer and other, net	13,755	4,633	1,418
Total revenue	\$ 1 14,143	73,461	64,226

Notes to Consolidated Financial Statements — Continued

The table below reflects certain geographic information relating to the Company's operations (in thousands). The state of Kansas includes one MSW landfill which is a part of the vertically integrated Missouri operations and is combined with Missouri to form a geographic segment. The states of Alabama, South Carolina and Tennessee have been aggregated in Other due to their size.

	Kansas/ Missouri	Texas_	Arkansas:	North Carolina	Florida	Other	Corporate	Total
005:		And the second s	t consideration					
Revenue	\$ 44,480	25,669	12,497	, 8,214	4,109	19,174		114,143
Depreciation and						ť,		
amortization	4,653	2,811	1,838	1,352	657	3,354	130	14,795
EBIT	8,212	8,035	1,432	2,373	1,102	2,070	(5,834)	17,390
Total assets	64,623	32,222	27,867	45,784	62,048	40,842	18,152	291,538
Goodwill	19,057	9,175	11,890	9,688	12,224	10,421	···	72,455
Capital expenditures	5,226	4,549	1,594	852	612	4,515	655	18,003
004:								
Revenue	\$ 36,755	18,952	9,098	The second secon	management (set good of good or close to management year)	8,656		73,461
Depreciation and		en e						
amortization	3,465	2,255	1,415			1,596	97	8,828
EBIT	6,659	6,521	574		- Paris - Pari	920	(16,443)	(1,769)
Total assets	47,668	28,130	27,696	4 1 1 1 1 		39,035	21,238	163,767
Goodwill	17,267	8,158	11,750			10,335		47,510
Capital expenditures	5,182	2,957	2,187		The state of the s	4,112	151	14,589
2003:						e e e e e e e e e e e e e e e e e e e		
Revenue	\$ 35,349	16,358	7,839	1.		4,680	·	64,226
Depreciation and	and the second s	program complete comment and and a	man of a production of the second	a the contract of the contract of	** - Video con al Video communicati in la communicati con			
amortization	3,317	2,121	1,100	<u> </u>		1,189	85	7,812
EBIT	6,555	7,687	155			673	(5,436)	9,634
Capital expenditures	1,482	3,034	1,229	and the second s	The second section of the	1,939	37	7,721

The following presents a reconciliation of the geographical segments' aggregate EBIT to income from continuing operations before cumulative effect of change in accounting principle (in thousands).

and the control of th	2005	2004	2003
Total EBIT for reportable segments	\$ 17,390	(1,769)	9,634
Interest expense, net	(10,366)	(4,453)	(5,220)
Write-off of deferred financing costs and debt discount	(1,308)	(618)	
Income tax (provision) benefit	(2,248)	2,476	(1,753)
Income (loss) from continuing operations before cumulative effect of change in			
accounting principle	\$ 3,468	(4,364)	2,661

(13) Commitments and Contingencies

(a) Operating Leases

The Company leases certain of its operating and office facilities for various terms. Lease expense aggregated \$916, \$780 and \$874 during 2005, 2004 and 2003, respectively. The long-term, non-cancelable rental obligations as of December 31, 2005 are due in the following years (in thousands):

2006	A SECOND CONTRACTOR OF THE SECOND CONTRACTOR O	\$ 687
2007		407
2008		 395
2009		 384
2010		 371
2011 an	nd thereafter	 2,059
		\$ 4,303

Notes to Consolidated Financial Statements — Continued

(b) Financial Instruments

Letters of credit, performance bonds, and other guarantees have been provided by WCA to support tax-exempt bonds, performance of landfill final closure and post-closure requirements, insurance contracts, and other contracts. Total letters of credit, performance bonds, insurance policies, and other guarantees outstanding at December 31, 2005 aggregated approximately \$41.0 million.

(c) Environmental Matters

In the normal course of business and as a result of the extensive governmental regulation of the solid waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke or deny renewal of an operating permit it holds. From time to time, the Company may also be subject to actions brought by citizens' groups or adjacent landowners or residents in connection with the permitting and licensing of landfills and transfer stations the Company owns or operates or alleging environmental damage or violations of the permits and licenses pursuant to which the Company operates.

The Company may also be subject to liability for any environmental damage that its solid waste facilities cause to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater, surface water, and drinking water, including damage resulting from conditions existing prior to the acquisition of such facilities by the Company.

The Company may also be subject to liability for any off-site environmental contamination caused by pollutants or hazardous substances whose transportation, treatment, or disposal was arranged by the Company or its predecessors. Any substantial liability for environmental damage incurred by the Company could have a material adverse effect on the Company's financial condition, results of operations, or cash flows. As of December 31, 2005, the Company is not aware of any significant environmental liabilities.

(d) Legal Proceedings

In July 2004, the Company filed Waste Corporation of Missouri, Inc. v. Lafarge Corporation and Lafarge North America, Inc., Case No. 04-4140-CV-C-SOW, in the United States District Court for the Western District of Missouri. The lawsuit involved a mining lease covering a portion of the expansion area of the Company's Central Missouri Landfill. This suit was settled on December 6, 2005 for non-monetary terms.

The Company is a party to various general legal proceedings which have risen in the ordinary course of business. While the results of these matters cannot be predicted with certainty, the Company believes that losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, unfavorable resolution could affect the consolidated financial position, results of operations or cash flows for the quarterly period in which they are resolved.

There are no pending material legal proceedings to which the Company or any of its property is subject, except as described above, and for routine litigation incidental to our business that is not currently expected to have a material adverse effect upon its financial condition, results of operations or prospects.

Notes to Consolidated Financial Statements — Continued

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(e) Other Potential Proceedings

In addition to the matters described above, the Company may become party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of a waste management business. As of December 31, 2005, the Company is not aware of any significant liabilities arising out of any such claims.

With respect to the matters described in sections (c) and (d) above, and in this section, no assurance can be given with respect to the outcome of any such proceedings or the effect such outcomes may have on the Company, or that the Company's insurance coverage would be adequate. While management believes a majority of the Company's present routine litigation is covered by insurance, subject to deductibles and our self-insured portion (as described below), no assurance can be given with respect to the outcome of any such proceedings or the effect such outcomes may have on the Company or that the Company's insurance coverage would be adequate. We are self-insured for a portion of our general liability, workers' compensation and automobile liability. The frequency and amount of claims or incidents could vary significantly from quarter-to-quarter and/or year-to-year, resulting in increased volatility of our costs of services. Although the Company is unable to estimate any possible losses, a significant judgment against the Company, the loss of significant permits or licenses or the imposition of a significant fine or other liabilities could have a material adverse effect on the Company's financial condition, results of operations and prospects.

(14) Related-Party Transactions

The Company paid a board member \$0, \$50 and \$250 during 2005, 2004 and 2003, respectively, for assistance in the debt amendments.

The Company paid its Chief Executive Officer, Chief Operating Officer and an affiliate of its largest stockholder each \$90 and \$120 during 2005 and 2004 for personal guarantees of the Company's performance bonds relating to landfill closure and post-closure obligations.

The Company reimburses its outside board members for expenses incurred in connection with their service as directors. Total payments of \$1, \$9 and \$3 were made during 2005, 2004 and 2003 for such reimbursements.

In addition, the Company allocated costs totaling \$450, \$511 and \$465 to Old WCA during 2005, 2004 and 2003 for administrative services, including executive officers, other employees, administrative systems, service and facilities.

On October 3, 2005, the Company acquired a C&D landfill located in Ft. Meade, Florida from a subsidiary of Old WCA. Total consideration of the acquisition included \$3.5 million in cash, \$6.6 million in debt assumed, net of discount, \$5.6 million in deferred tax liabilities assumed and 591,611 shares of common stock valued at \$5.0 million.

(15) Discontinued Operations

During 2003, the Company sold its hauling operations in west Texas for aggregate cash proceeds of \$9,759, resulting in a gain on sale of \$249 (net of \$146 tax expense). In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", this business unit has been classified as a discontinued operation. Accordingly, the accompanying consolidated statements of operations and other amounts disclosed herein have been restated to classify this business unit as discontinued operations and, therefore, to reflect after-

Notes to Consolidated Financial Statements — Continued

tax results of these operations as "Income (loss) from discontinued operations, net of tax". This business generated revenue of \$5,808 for the year ended December 31, 2003. And the second of the property of the pear ended Quarterly Financial Data when the second of the second

The following table summarizes quarterly financial information for 2005 and 2004 (in thousands, except per share data):

1000年1月1日 - 1000年1月1日 - 1000年1日 - 1	the confirst of the	Second - A -	Third ***	Fourth	Year Ended
and the state of the state of the	Quarter	Quarter	Quarter :	Quarter	December 31,
2005:	A reflect of the property of the second	The state of the s	and a second constitution of the second	e many company and the contract of the	
Revenue	\$22,885 - 612 194	29,052	29,498	32,708	114,143
Operating income	2,517	5,253	4,932	4,402	17,104
Net income	ura ann 1708 [And	8824 (*)	- 1,325	553	3,468
Basic earnings per share	0.05	0.06	0.09	0.03	0.22
Diluted earnings per share	0.05	0.06	0.09	0.03	0.22
2004:					
Revenue	\$15,891	17,114	19,842	20,614	73,461
Operating income (loss)	2,046	(9,005)	2,597	2,325	(2,037)
Net income (loss)	469	(6,673)	1,148	692	(4,364)
Basic earnings (loss) per share	0.06	(0.77)	0.08	0.05	(0.38)
Diluted earnings (loss) per share	0.06	(0.77)	0.08	0.05	(0.38)

Computation of per share amounts for quarters are made independently and reflect the weighted average shares outstanding for each of these quarters. The Company's issuances of common stock in connection with the acquisitions in the first and fourth quarters of 2005 and the Company's initial public offering in June 2004 significantly impacted the number of shares outstanding and the computation of earnings (loss) per share. Therefore, the sum of per share amounts above do not agree with per share amounts for the year as a whole.

(17) Subsequent Events

On February 10, 2006, the Company completed the acquisition of Transit Waste LLC from Old WCA. The acquired operations include a MSW landfill near Durango, Colorado and a collection operation in Bloomfield, New Mexico. Total consideration for this acquisition included approximately \$5.2 million in debt assumed and \$0.3 million in cash. On February 23, 2006, the Company repaid \$1.3 million of the assumed debt.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There were no changes in or disagreements on any matters of accounting principles or financial statement disclosure between us and our independent registered public accounting firm during our two most recent fiscal years or any subsequent interim period.

Item 9A. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2005. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2005 in ensuring that the information required to be disclosed by us (including our consolidated subsidiaries) in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commissions rules and forms.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, a report of management's assessment of the design and effectiveness of internal controls is included as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2005. KPMG LLP, our independent registered public accountants, also attested to, and reported on, management's assessment of the effectiveness of internal controls over financial reporting. Management's report and the independent registered public accounting firm's attestation report are included in Part II, Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2005, identified in connection with that evaluation, that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

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Item 10. Directors and Executive Officers of the Registrant.

The information with respect to our directors, executive officers, audit committee and audit committee financial expert, is incorporated by reference to the sections entitled "Election of Directors", "Executive Officers", "Information relating to our Board of Directors and Certain Committees of our Board of Directors", respectively, in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

Information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

We have adopted a code of business conduct and ethics applicable to all of our officers, directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. The code of business conduct and ethics is filed as Exhibit 14.1 to this Annual Report on Form 10-K and is also available on the "Investor Relations-Corporate Governance" section of our Internet website at www.wcawaste.com. If we amend the code of business conduct and ethics or grant a waiver, including an implicit waiver, from the code of business conduct and ethics, we intend to disclose the information on the "Investor Relations-Corporate Governance" section of our Internet website at www.wcawaste.com within four business days of such amendment or waiver, as applicable.

We are currently availing ourselves of the exemption from the audit committee independence standards contained in Rule 10A-3(b)(1)(iv)(A) of the Exchange Act. The information required by Rule 10A-3(d) of the Exchange Act is incorporated by reference to the section entitled "Information relating to our Board of Directors and Certain Committees of our Board of Directors" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

Item 11. Executive Compensation.

The information required by Item 11 of this Annual Report on Form 10-K is incorporated by reference to the sections entitled "Executive Compensation", "Compensation Committee Interlocks and Insider Participation", "Employment Agreements", and "Compensation of Directors" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 of this Annual Report on Form 10-K is incorporated by reference to the section entitled "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

Item 13. Certain Relationships and Related Transactions.

The information required by Item 13 of this Annual Report on Form 10-K is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 of this Annual Report on Form 10-K is incorporated by reference to the section entitled "Independent Registered Public Accounting Firm" in our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the close of our fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

- (a) The following documents are filed as a part of this report:
- (1) and (2) Financial Statements and Financial Statement Schedules.

Consolidated financial statements of the Company are included in Item 8 (Financial Statements and Supplementary Data). All other schedules for the Company have been omitted since the required information is not present or not present in an amount sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

(3) Exhibits.

Exhibit No	Description
No. 2.1**	Reorganization Agreement, dated May 10, 2004, between WCA Waste Corporation and Waste Corporation of America, Inc. (incorporated by reference to Exhibit 2.1 to Amendment No. 2 to the registrant's Registration Statement on Form S-1 (File No. 333-113416) filed with the SEC on May 14, 2004).
2.2	Agreement and Plan of Merger, dated May 10, 2004, between WCA Waste Corporation, Waste Corporation of America and WCA Merger Corporation (incorporated by reference to Exhibit 2.2 to Amendment No. 2 to the registrant's Registration Statement on Form S-1 (File No. 333-113416) filed with the SEC on May 14, 2004).
2.3	Agreement and Plan of Merger, dated as of May 20, 2004, between WCA Waste Corporation and WCA Merger II Corporation (incorporated by reference to Exhibit 2.3 to Amendment No. 5 to the registrant's Registration Statement on Form S-4 (File No. 333-114901) filed with the SEC on June 21, 2004).
2.4†**	Membership Interest Purchase Agreement, dated effective January 14, 2005, between WCA of North Carolina, L.P., MRR Southern, LLC, Material Recovery, LLC, Material Reclamation, LLC, MRR of High Point, LLC, MRR Wake Transfer Station, LLC, WCA Waste Corporation, F. Norbert Hector, Jr., D.H. Griffin, Paul M. Givens, Edward I. Weisiger, Jr. and David Griffin, Jr. (incorporated by reference to Exhibit 2.4 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
2.5†	Closing and Asset Purchase Agreement, dated as of October 2, 2005, by and among WCA of Florida, Inc., Meyer & Gabbert Excavating Contractors, Inc., Leonard G. Meyer, Jr. and James F. Gabbert (incorporated by reference to Exhibit 2.1 to the registrant's Form 8-K (File No. 000-50808) filed with the SEC on September 30, 2005).
2.6	Agreement and Plan of Merger, dated as of September 30, 2005, by and among WCA Waste Corporation, WCA of Central Florida, Inc., WCA Management Company, L.P., Waste Corporation of America, LLC and Waste Corporation of Central Florida, Inc. (incorporated by reference to Exhibit 2.2 to the registrant's Form 8-K (File No. 000-50808) filed with the SEC on September 30, 2005).
-2.7	First Amendment to Membership Interest Purchase Agreement, dated as of March 30, 2005, by and among WCA of North Carolina, L.P., MRR Southern, LLC, WCA Waste Corporation and WCA of Wake County, L.P. (incorporated by reference to Exhibit 2.2 to the registrant's Form 10-Q (File No. 000-50808) filed with the SEC on May 13, 2005).
3.1	Second Amended and Restated Certificate of Incorporation of WCA Waste Corporation (incorporated by reference to

Exhibit 3.1 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on December 22, 2005).

10.12† Purchase and Sale of Assets Agreement, dated as of September 3, 2004, by and between WCA of Alabama, L.L.C., BRC, LLC, Frank Hollis and Van Mulvehill (incorporated by reference to Exhibit 10.2 to the registrant's Form 10-Q (File No. 000-50808) filed with the SEC on November 10, 2004).

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Form 10-Q (File No. 000-50808) filed with the SEC on November 10, 2004).

Exhibit No.	Description
10.13†	Purchase and Sale of Assets Agreement, dated as of September 3, 2004, by and between WCA of Alabama, L.L.C., Blount Recycling, LLC, Frank Hollis and Van Mulvehill (incorporated by reference to Exhibit 10.3 to the registrant's Form 10-Q (File No. 000-50808) filed with the SEC on November 10, 2004).
10.14+	Form of Stock Option Agreement under the 2004 WCA Waste Corporation Incentive Plan (incorporated by reference to Exhibit 10.4 to the registrant's Form 10-Q (File No. 000-50808) filed with the SEC on November 10, 2004).
10.15+	Form of Executive Officer Restricted Stock Grant under the 2004 WCA Waste Corporation Incentive Plan (incorporated by reference to Exhibit 10.15 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
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10.16†	Closing and Asset Purchase Agreement, dated as of November 30, 2004, between WCA Shiloh Landfill, L.L.C., Trash Away, Inc. and Gary W. Seymore (incorporated by reference to Exhibit 10.16 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.17†	Closing and Asset Purchase Agreement, dated as of November 30, 2004, between WCA Shiloh Landfill, L.L.C., Waste Reduction of South Carolina, Inc. and Gary W. Seymore (incorporated by reference to Exhibit 10.17 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.18†	Membership Interest Purchase Agreement, dated effective January 11, 2005, between WCA Waste Corporation, Waste Corporation of Missouri, Inc., Gecko Investments, LLC, Andrew Zelenkofske, Daniel J. Clark and Joseph E. LoConti (incorporated by reference to Exhibit 10.18 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.19+	WCA Waste Corporation Performance Unit Plan (incorporated by reference to Exhibit 10.19 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.20+	WCA Waste Corporation Management Incentive Plan (incorporated by reference to Exhibit 10.20 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.21+	Form of Non-Employee Director Restricted Stock Grant under the 2004 WCA Waste Corporation Incentive Plan (incorporated by reference to Exhibit 10.21 to the registrant's Form 10-K (File No. 000-50808) filed with the SEC on March 24, 2004).
10.22	Form of Resale Restriction Agreement, dated as of December 21, 2005, between WCA Waste Corporation and each of Tom J. Fatjo, Jr., Jerome M. Kruszka, Charles A. Casalinova, Tom J. Fatjo, III, Richard E. Bean, Ballard O. Castleman and Roger A. Ramsey individually (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K (File No. 000-50808) filed with the SEC on December 22, 2005).
10.23	Solid Waste Disposal Agreement, dated as of October 3, 2005, by any between Waste Corporation of America, LLC and WCA Waste Corporation (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K (File No. 000-50808) filed with the SEC on September 30, 2005).
10.24	Amended and Restated 2004 Waste Corporation Incentive Plan, effective as of June 1, 2005 (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K (File No. 000-50808) filed with the SEC on June 1, 2005).
10.25	Reimbursement Agreement, dated as of August 30, 2002, by and among WCA Waste Systems, Inc., Waste Corporation of Texas, L.P., and Wells Fargo Bank Texas, National Association (incorporated by reference to Exhibit 10.10 to the registrant's Form 10-Q (File No. 000-50808) filed with the SEC on May 13, 2005).

Exhibit No.	Description	
10.26	First Amendment to Reimbursement Agreement, dated as of April 20, 2005, by and amo Waste Corporation of Texas, L.P., and Wells Fargo Bank National Association (successor Texas, National Association) (incorporated by reference to Exhibit 10.10 to the registran filed with the SEC on May 13, 2005).	or by merger to Wells Fargo Bank
10.27	First Lien Credit Agreement, dated as of April 28, 2005, by and among WCA Waste Sys National Association, Comerica Bank and the Lenders party thereto (incorporated by referegistrant's Form 10-Q (File No. 000-50808) filed with the SEC on May 13, 2005).	
10.28	Second Lien Credit Agreement, dated as of April 28, 2005, by and among WCA Waste S National Association and the Lenders party thereto (incorporated by reference to Exhibit (File No. 000-50808) filed with the SEC on May 13, 2005).	
10.29*	Securities Purchase Agreement, dated as of February 10, 2006, by and among WCA Was WCA Management Company, L.P., and Waste Corporation of America, LLC.	ste Corporation, Transit Waste LLC,
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the registrant's Form 10-K (SEC on March 24, 2004).	File No. 000-50808) filed with the
21.1*	List of Subsidiaries of WCA Waste Corporation.	en e
23.1*	Consent of KPMG LLP.	
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.	And the
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Para la companya di Para la Cara la Ca
32.1*	Section 1350 Certification of Chief Executive Officer.	A Participation of the Community of the
32.2* + Ma	Section 1350 Certification of Chief Financial Officer. anagement contract or compensatory plan, contract or arrangement.	to the stable of parking the second s

- * Filed herewith.
- † Confidential treatment has been requested with respect to certain information contained in this agreement.
- ** Pursuant to Item 601(b)(2) of Regulation S-K, the Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the Commission upon request.

The registrant hereby undertakes, pursuant to Regulation S-K, Item 601(b), paragraph (4)(iii)(A), to furnish to the Securities and Exchange Commission upon request all constituent instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries not filed herewith for the reason that the total amount of securities authorized under any of such instruments does not exceed 10% of the registrant's total consolidated assets.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WCA WASTE CORPORATION

By:	/s/ TOM J. FATJO, JR.	
	Tom J. Fatjo, Jr.	_
	Chief Executive Officer	

Date: March 16, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Tom J. Fatjo, Jr. Tom J. Fatjo, Jr.	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 16, 2006
/s/ Jerome M. Kruszka Jerome M. Kruszka	President, Chief Operating Officer and Director	March 16, 2006
/s/ Charles A. Casalinova Charles A. Casalinova	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 16, 2006
/s/ Kevin D. Mitchell Kevin D. Mitchell	Vice President and Controller (Principal Accounting Officer)	March 16, 2006
/s/ Richard E. Bean Richard E. Bean	Director	March 16, 2006
/s/ Ballard O. Castleman Ballard O. Castleman	Director	March 16, 2006
/s/ Roger A. Ramsey Roger A. Ramsey	Director	March 16, 2006
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